

**COMMONWEALTH OF VIRGINIA  
CONSOLIDATED PLAN  
ACTION PLAN**

***PUBLIC COMMENT DRAFT***

***2002***  
(State FY 2003)



**Department of Housing and  
Community Development**

**The Jackson Center  
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Richmond, VA 23219**

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## **INTRODUCTION**

The Commonwealth of Virginia through the Department of Housing and Community Development (DHCD) prepared and submitted a new Consolidated Plan for Housing and Community Development Programs to the federal Department of Housing and Urban Development (HUD) in 2000. Because complete census data would not have been available for at least two more years, this Consolidated Plan was completed as a three-year document covering the following state fiscal years:

Year One - July 1, 2000 to June 30, 2001 (federal fiscal year 2000)

Year Two - July 1, 2001 to June 30, 2002 (federal fiscal year 2001)

**Year Three - July 1, 2002 to June 30, 2003 (federal fiscal year 2002)**

In addition to the Consolidated Plan, the Commonwealth supplies HUD with an annual Action Plan describing how the State will implement its housing and community development programs for each year. This plan combines in a single document information describing the proposed use of HOME, HOPWA and ESG funds and the proposed method for making CDBG funds available for housing and other eligible community and economic development activities. The activities described reflect and complement the efforts of DHCD to implement the initiatives reflected in its mission. Housing rehabilitation and down payment assistance to first-time home buyers, as described in more detail in the *Virginia Community Development Block Grant Program 2002 Program Design*, are, for example, among the housing activities for which CDBG funds may be used during the fiscal year. Other eligible community and economic development projects, such as the installation or improvement of various types of community facilities, directly and indirectly affect the environment for housing in Virginia's localities. Similarly, the construction and rehabilitation of housing supported by HOME and other formula programs complements efforts to strengthen local economies. This Action Plan incorporates tables originally derived from the Community 2020 planning software except where they have already been incorporated in the Consolidated Plan. As in the previous submission, significant aspects of the state's administration of the four programs differ from the methods that entitlement communities use; thus, some features of the Community 2020 software are not entirely relevant. Information from Community 2020 tables that will continue to be submitted to HUD in a compressed digital format pending the introduction of the on-line version of Community 2020 has been presented on substantially similar tables within either this document or the Consolidated Plan.

## **ACTION PLAN FOR HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS**

The Action Plan for Housing and Community Development Programs for State FY 2003 (Federal FY 2002 Funding):

- Details the housing and community development priorities, objectives, and strategies included in the three-year Consolidated Plan adopted and approved in 2000;
- Describes actions the State will take concerning affordable housing;
- Estimates the resources available to the State--including leveraging, matching funds, and reprogrammed monies--for the housing programs and community development activities subject to the Consolidated Plan;
- Outlines the proposed budget for and provides a summary of housing activities the State will undertake, including how the State will assist homeless people and others with special housing needs;
- Describes how the State will distribute available resources for housing and community development;
- Provides additional information on the programs covered by this Action Plan, including the HOME Investment Partnerships (HOME), Emergency Shelter Grants (ESG), and Housing Opportunities for People with AIDS (HOPWA), and Community Development Block Grants (CDBG); and
- Provides additional information on other federal and non-federal programs and funding sources available to the State for addressing housing and community development needs.

### **A. PRIORITIES FOR HOUSING AND COMMUNITY DEVELOPMENT**

Six priorities guide the Virginia Department of Housing and Community Development (DHCD) in its use of available housing resources. Five related community development objectives establish the priorities for assistance from the CDBG program offered to eligible localities seeking to improve housing, bolster local economies, and develop a variety of community facilities and service facilities. These priorities and objectives were initially established through the process used to develop the current Consolidated Plan, a process that included the extensive use of focus group meetings to elicit public recommendations concerning housing priorities. The priorities and objectives have been subsequently reviewed and revalidated, with the benefit of additional public participation, prior the preparation of succeeding Action Plans.

DHCD focused on elements of the CDBG program at two Program Design / Consolidated Plan Input Workshops in the fall of 2001. The first took place in, on October 25, 2001 in Richmond, Virginia and the second in Abingdon, Virginia, on October 26, 2001. Following these workshops, DHCD prepared the final CDBG program design, conducting a public

hearing on November 16, 2001. The program design revised several provisions from the previous year's program, further refining several administrative requirements. The limit on the number of open contracts has been removed from the Multi-Contract Limitations Policy, which requires the completion of activities under existing contracts before additional assistance can be received. However, the \$2.5 million limitation on open contracts remains in effect. Although regional projects will continue to be eligible for up to \$2 million in VCDBG funding, the policy excludes multi-jurisdictional utility extensions and interconnections from consideration as regional projects. Planning Grant funding will be available on an open basis, replacing the previous system of Competitive and Just-In-Time Planning Grants. An additional \$50,000 will be available for the Planning Grants. Letters of Intent will be limited to no more than 30 percent of each individual year's CDBG allocation. The Community Development Innovation fund has been reduced from \$2.5 million to \$2.0 million, reflecting the reduction of the Venture Capital Fund from \$1 million to \$0.5 million. The evaluation criteria for Competitive Grants were changed to stress project impact on local community development needs. Finally, updated poverty, unemployment, and income data shifted communities among the various eligibility categories for Community Economic Improvement Fund Grants.

DHCD and its major housing partner within the state government, the Virginia Housing Development Authority (VHDA), completed a series of ten housing needs assessment workshops in nine locations across the Commonwealth that began in March 2001. These workshops included a facilitated process for eliciting participant's views on those housing needs with the highest priority within their region. Priorities varied from region to region; however, there were some consistent themes, which generally paralleled previously identified goals for housing. Home ownership issues, including opportunities for first-time homebuyers and the need to rehabilitate substandard owner-occupied units with or without the provision of indoor plumbing, received considerable attention. Housing affordability in general and the needs of individuals with various disabilities were frequently identified as significant issues. The Housing Needs Assessment, which summarized the qualitative and quantitative findings of the assessment process, was published as a web document in late November 2001.

The Board of Housing and Community Development received copies of the initial draft plan at its April 15, 2002 meeting in Richmond. DHCD subsequently advertised in five regional newspapers of general circulation the availability of the draft plan for public comment. The Department provided copies of the draft plan to all 21 planning district commissions. It also mailed a notice of the plan's availability to approximately 1,000 organizations and individuals, including local governments, housing authorities, and non-profit or other locally-based organizations with an interest in housing or community development. The Department placed the draft plan on its web site in PDF format and mailed additional copies to individuals requesting them. The Department conducted a public hearing on \_\_\_\_\_ and received additional comments through \_\_\_\_\_. A summary of oral and written comments on the Plan and the Department's response, including any subsequent changes to the Plan, will be included in Attachment 1.

Tables 1A, 1B, and 2A in Appendix B of the previously adopted 2001 Consolidated Plan, which have been derived from tables originally found in the Community 2020 planning software, summarize the major areas of housing and community development needs established in the Consolidated Plan.

Six priorities govern the use of the State's housing funds in meeting the needs identified in the Consolidated Plan: expanding opportunities for Home ownership and assisting first-time home buyers; addressing the needs of low- and very low-income renters; providing shelter and supportive services for the homeless; helping other populations requiring supportive services; expanding and increasing the capacity of the State's housing providers; and forging and strengthening partnerships among all housing providers. In addition to providing a further source of financial and technical support for housing, DHCD's community development activities, stated in five objectives of the CDBG program, complement its housing efforts by improving the economic, physical, and institutional underpinnings of the Virginia's nonentitlement communities. For their part, housing activities in CDBG eligible communities can increase the comprehensive character of community improvement efforts. DHCD and its partners have placed increasing emphasis on the importance of considering housing within the broader context of promoting better communities.

The following section details the priorities and strategies that will govern the use of state resources for housing and community development during the state's fiscal year 1998.

*Housing Program Priorities (HOME, HOPWA, ESG, CDBG Housing Activities)*

**PRIORITY: Support Home ownership housing opportunities for low- and very low-income people by expanding first-time buyer opportunities, preserving the existing stock, and increasing economic self-sufficiency.**

*Strategy A. Provide flexible and continuous funding to preserve and improve existing homeowner units.*

*Strategy B. Provide flexible and continuous funding for first-time Home ownership programs.*

*Strategy C. Promote and implement housing quality measures as part of affordable housing programs, focusing on those associated with energy conservation, safety (including lead-based paint and indoor air quality), and indoor plumbing.*

*Strategy D. Promote programs and policies for continued affordability.*

*Strategy E. Support and coordinate activities with programs that provide an adequate infrastructure (roads, water/wastewater, and utilities).*

*Strategy F. Promote Home ownership education/counseling.*

The State will continue to provide assistance to lower-income homeowners and lower-income, first-time homebuyers.

Existing homeowners, who live in substandard housing or need emergency repairs, including accessibility improvements, may receive assistance from the Indoor Plumbing/Rehabilitation Program, the Emergency Home Repair Program, and the Weatherization Program.

First-time homebuyers will continue to have access to the Single Family Regional Loan Fund (SFRLF) that provides below-market-rate mortgage loans to eligible households. The SFRLF combines primary mortgages provided from the sale of mortgage revenue bonds and junior mortgages using the State's VHPF and federal HOME funds. VHPF and HOME may also be utilized with other primary mortgages including those through Rural Development.

The State will encourage the use of HOME funds from the CHDO set-aside to support the development of single-family homes for sale to first-time homebuyers.

**PRIORITY: Expand rental housing opportunities for low- and very low-income people by increasing the stock of affordable, accessible, decent rental housing and economic self-sufficiency among tenants.**

*Strategy A. Develop, expand, and promote flexible sources of rental housing funding that support alternative construction and development methods including rehabilitation and adaptive reuse.*

The International Building Code (IBC) will be the basis for the next edition of the state's Uniform Statewide Building Code. When the Board of Housing and Community Development promulgates the new code in 2003, it will address issues related to the effective reuse of existing properties while maintaining required levels of safety. Training conducted by the Building Code Academy in the next year will focus on the appropriate application of provisions for existing structures as well as training on the application of the housing accessibility standards (based on HUD accessibility guidelines) incorporated within the underlying model building code.

*Strategy B. Design, coordinate and implement housing programs that include support services to increase tenant self-sufficiency.*

*Strategy C. Increase the interest of private developers and landlords in providing affordable housing and expand their capacity to deliver and manage such housing.*

*Strategy D. Encourage development activities that improve the safety, quality, and affordability of rental housing stock.*

The State, through the Department of Housing and Community Development (DHCD), will continue to support the development and preservation of affordable rental housing through its state- and federally funded loan programs. Resources to be used in these programs include accumulated earnings and principal repayments of the Virginia Housing Partnership Revolving Loan Fund (VHPF), reallocation of prior years' unutilized VHP funds, and federal HOME funds. These resources will provide below-market-rate financing to owners of rental property serving lower-income tenants.

Leveraged funds from other public and private sources are expected to be important and critical to the success of the State's programs because of the reduced level of state and federal funds. Competition for the available funding will result in increased use of other funding sources by projects interested in developing and preserving affordable housing. Part of the HOME funds available for these activities will be restricted to projects that are Community Housing Development Organization (CHDO) eligible. The State will develop preferences for investing HOME funds in projects located in non-HOME entitlement jurisdictions.

DHCD will also continue to provide technical assistance to sponsors of affordable housing projects, including assisting with formalized training through the Housing Training Center.

**PRIORITY: Provide support and coordinate services to meet the needs of the homeless.**

*Strategy A: Promote and encourage homelessness prevention activities.*

*Strategy B: Continue to support the provision of safe and sanitary emergency shelter that meets basic needs and provides necessary supportive services.*

*Strategy C: Increase the availability of transitional housing facilities and services.*

*Strategy D: Expand permanent housing opportunities, such as single-room occupancy dwellings, rental assistance, and rent with option to buy.*

*Strategy E: Encourage the coordination of services and programs for homeless people.*

The State will continue to provide operational support to homeless shelters, domestic violence shelters, and transitional housing providers. The SHARE Expansion Program will provide forgivable loans for the expansion of existing shelters or development of new shelters.



The State will continue to administer the now statewide Homeless Intervention Program (HIP) that provides funding to prevent tenants and homeowners from becoming homeless. Linking counseling to the receipt of HIP assistance will be required to help change habits that could lead to homelessness in the future.

Because of the nature of shelters and circumstances faced by shelter providers, the State will continue to provide training and technical assistance as needed. Such training will include Fair Housing and federal compliance requirements.

DHCD will continue to take an active role in supporting the activities of the Virginia Interagency Action Council for the Homeless (VIACH), which will work to coordinate efforts to minimize homelessness. The Department will also complete the annual report to the General Assembly on the range of the state's homeless programs.

**PRIORITY: Expand the housing available for populations who require some level of supportive services.**

*Strategy A: Strengthen the relationship between housing and supportive services for populations in need.*

In the 2002 Appropriations Act, Item 329 18c directs the Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) to “convene a task force to develop a plan for serving persons with disabilities that implements the recommendations of the Olmstead decision . . .” DHCD anticipates participating in this process as part of its broader efforts to assure that opportunities for housing for persons with disabilities exist within Virginia's communities.

*Strategy B: Expand the stock of affordable housing accessible to and appropriate for populations who require supportive services.*

DHCD was required by provisions of the 1999 Appropriations Act to develop means fostering affordable assisted living options for the elderly and other special needs populations in accordance with various recommendations of the Virginia Housing Study Commission.

*Strategy C: Educate local elected officials, government leaders, and community leaders about supportive housing issues and encourage action at the local level.*

HB 813, passed during the 2002 legislative session, addresses several facets of this priority. It calls on the Board of Housing and Community Development, the agency's policy board, to advise the Governor and the agency on the expansion of affordable, accessible housing for older and disabled Virginians, including supportive services. The Department of Housing and Community Development is required to develop a

strategy concerning the expansion of affordable, accessible housing for older and disabled Virginians, including supportive services.

Identical resolutions passed during the 2002 session addressed parallel concerns. HJ 236 and HJ 251 encourage the state's Disability Commission to make improved housing opportunities for disabled citizens the top priority for the 2002-2003 interim. The resolutions urge greater collaboration among stakeholders to develop recommendations strengthening intergovernmental and interagency coordination of housing programs for disabled Virginians. The legislature encouraged the Commission to develop a Housing Action Plan that identifies: (i) the mission, composition, responsibilities, and funding for an intergovernmental, interagency coordinating body on housing and disability issues; (ii) actionable strategies consistent with the mission and responsibilities of state housing agencies for the maximizing use of Section 8 programs and other federal housing and housing production programs for individuals with disabilities in Virginia; and (iii) a system of incentives and rewards for building accessible housing. It encourages the Commission to use existing research and presentation opportunities, including the Housing Conference, to increase awareness of the housing needs of disabled people and available federal opportunities.

**PRIORITY: Increase the number of housing providers in under served areas of the State, and expand the capacity of all housing providers to deliver affordable, appropriate housing.**

*Strategy A. Increase the number of housing providers in under served areas.*

*Strategy B. Increase the leadership, organizing and administrative capacity of housing providers through training and administrative funding.*

*Strategy C. Coordinate housing information sharing to ensure that providers at regional and local levels are aware of relevant programs, policies, and resources.*

*Strategy D. Encourage private sector support (individuals, foundations, and corporations) for housing providers.*

*Strategy E. Help nonprofit housing providers become more economically self-supporting while maintaining their mission as affordable housing providers.*

*Strategy F. Evaluate housing provider progress toward defined goals to identify areas requiring special assistance.*

The State, through its capacity building activities, will support and encourage the creation and development of nonprofit, community-based housing organizations in the areas of the Commonwealth of Virginia that are unserved and under served. This fund provides technical assistance and funding to applicants successfully meeting program criteria.

The State will continue to promote the creation of nonprofit housing providers in underserved and unserved areas of the state through support from the Virginia Housing Training Center.

Although there is no FY 2003 allocation, the State will use reprogrammed funds to continue to provide support to CHDOs that develop projects receiving state HOME funds. In addition, the State will continue providing Predevelopment Loans to eligible CHDO projects.

**PRIORITY: Develop partnerships at the State, local, community, and regional levels that facilitate coordinated use of resources and shared accountability.**

*Strategy A. Improve State agency cooperation and coordination.*

*Strategy B. Expand and stabilize funding, and create flexible sources of funding through public/private debt and/or equity partnerships.*

*Strategy C. Educate local elected officials, government leaders, and community leaders about affordable housing needs.*

*Strategy D. Identify and reduce legislative and regulatory barriers to affordable housing.*

*Strategy E. Develop incentives to encourage better regional coordination to identify common housing issues and to address those issues through coordinated strategies.*

A primary objective in delivery of all of DHCD's housing programs is to expand partnerships at all levels. DHCD will continue to take the lead in expanding partnerships at the state and federal levels by:

1. Providing staff and support to the Virginia Interagency Action Council for the Homeless (VIACH);
2. Developing and implementing programs as partner with the Virginia Housing Development Authority (VHDA) [example: Single Family Regional Loan Fund (SFRLF)];
3. Using local and regional organizations to facilitate the delivery of housing programs;
4. Requiring public support from local/regional bodies for approval of multifamily project funding; and
5. Participating in legislative studies that affect housing and the environment for the delivery of housing and housing services.

**PRIORITY: To assist local governments in conserving and improving housing conditions.**

*Provide financial and technical support for housing rehabilitation to result in reducing substandard housing conditions, conserving local housing stocks, stabilizing declining neighborhoods, promoting homeownership options, improving standards of living, and enhancing the attractiveness of the community.*

*Provide financial and technical support for acquisition and improvement of sites and/or facilities for low- and moderate-income housing to result in reducing the number of Virginia citizens in substandard housing, increasing the supply of housing, improving local standards of living, expanding housing opportunities, improving the quality of public facilities serving low- and moderate-income housing, and providing or improving basic public facilities serving low- and moderate-income housing.*

*Other Community Development Priorities Receiving CDBG Assistance*

Table 2A in Appendix B of the Consolidated Plan adopted in 2000 and based on the Community Needs tables used in Community 2020 planning software, summarizes areas of community need identified by regional planning districts for inclusion in the plan. No specific estimate of need is included for categories not identified by local or regional entities.

**PRIORITY: To assist local governments in increasing business and employment opportunities through economic development programs.**

*Provide financial and technical support for the acquisition, development, rehabilitation, or expansion of business and industrial sites and facilities to result in raising wage levels, retaining existing jobs, generating new jobs and employment opportunities, generating long-term employment, diversifying and expanding local tax bases and economies, and reducing the out-commuting of workers and out-migration of residents.*

*Provide financial and technical support for the acquisition, development, and revitalization of commercial districts to result in increasing retail sales and property values in stagnating or declining commercial districts, retaining existing businesses, increasing the opportunities for small businesses in commercial districts, retaining existing jobs, and strengthening local tax bases.*

*Provide financial and technical support for the development of entrepreneurial assistance programs including microenterprise assistance, business incubators, and similar efforts to result in creating assets among low-income persons, increasing employment opportunities, reducing unemployment, increasing wage levels, generating new jobs, generating long-term employment, and diversifying and expanding local tax bases.*

**PRIORITY:** To assist local governments in improving neighborhoods and other areas through comprehensive community development programs.

*Provide financial and technical support for the comprehensive improvement of residential areas to result in revitalized neighborhoods including improved housing, water, sewer, road, and drainage conditions.*

**PRIORITY:** To assist local governments in improving the availability and adequacy of community facilities.

*Provide financial and technical support for acquisition of sites or rights-of-way for community facilities such as water, sewer, drainage, and streets to result in providing basic facilities in areas where they are lacking.*

*Provide financial and technical support for the installation, rehabilitation, or improvement of community facilities such as water, sewer, drainage, and streets to result in providing basic facilities in areas where they are lacking, improving the quality of inadequate community facilities, enhancing the development potential of communities, and eliminating conditions detrimental to health, safety, and public welfare.*

The State will continue to offer assistance from this source for activities that can extend basic public facilities to areas lacking them or for projects improving existing facilities. Such improvements can enhance the development potential of a community or upgrade the quality of residential areas by alleviating conditions that potentially detract from the health, safety, or welfare of the community.

**PRIORITY:** To assist local governments in improving the availability and adequacy of community service facilities.

*Provide financial and technical support for the acquisition of sites and/or structures for community services facilities to result in providing new or expanded community services.*

*Provide financial and technical support for the construction, rehabilitation, or improvement of community service facilities to result in developing new structures, or rehabilitating or improving existing structures for the provision of new or expanded community services.*

The State will continue to offer assistance from this source for projects that enable communities to extend or expand needed community services.

**B. RESOURCES**

The State expects to receive the following *estimated* federal and state resources to be available for housing and community development activities in the state's FY 2003. In addition, the State intends to use program income and accumulated principal repayments on Virginia Housing Partnership Fund loans as noted.

**Estimated Resources**

<b>Resources</b>	<b>Federal</b>	<b>State</b>	<b>Program Income</b>
HOME	\$13,489,000	0	\$275,000
Emergency Shelter Grant	\$1,340,000	0	0
Child Service Coordinator	0	\$360,000	0
Child Care Development Grant	\$300,000	0	0
Housing Opportunities for Persons with AIDS	\$614,000	0	0
TANF Homeless Families Program Support	\$4,250,000	0	0
Weatherization [DOE and State]	\$4,066,802	\$100,000	0
Low Income Home Energy Assistance Program	\$4,023,450	0	0
Lead-Based Paint Grant <sup>1</sup>	0	0	0
Supportive Housing <sup>2</sup>	\$300,000	0	0
Virginia Housing Partnership Loan Fund <sup>3</sup>	0	\$5,500,000	0
General Funds for Housing Programs <sup>4</sup>	0	\$10,073,750	0
Derelict & Abandoned Housing Program	0	0	0
Community Development Block Grant <sup>5</sup>	\$24,594,000	0	\$0
CDBG Returned Grant Funds	\$0	0	0
Disaster Recovery <sup>6</sup>	\$0	0	0
Appalachian Regional Commission	\$3,500,000	0	0
<i>Federal</i> Low-Income Housing Tax Credits <sup>7</sup>	\$12,578,534	0	0
<i>State</i> Low-Income Housing Tax Credits	0	\$500,000	0
<b>TOTAL</b>	<b>\$69,055,786</b>	<b>\$16,533,750</b>	<b>\$275,000</b>

**NOTES:** <sup>1</sup> DHCD expects to apply for up to \$2.5 million from the next round of Lead-Based Paint Hazard Control Grants recently announced in the 2002 HUD SuperNOFA for competitive grants.

<sup>2</sup> This includes Permanent Housing for Handicapped Homeless and Supportive Housing.

<sup>3</sup> Estimated amounts of interest earnings and principal repayments available for programming.

<sup>4</sup> More detail on the use of state resources is included in the Housing Budget. Money for the Indoor Plumbing Program is included. State Child Service Coordinator and Weatherization funding is considered separately.

<sup>5</sup> This includes \$2,713,300 from 2001 Letters of Intent to Fund in 2002; \$19.68 million for a variety of Community Improvement Grants; \$450,000 for Planning Grants; \$922,000 in 2000 multi-year housing projects with the balance being used for state administration and technical assistance.

<sup>6</sup> All 1997 (Hurricane Fran) and 1998 (Hurricane Bonnie) Disaster Recovery Initiative funds covered by their respective DRI Action Plans have been placed under contract.

<sup>7</sup> The approximate amount of new federal LIHTC expected to be available for qualifying housing sponsors in December 2002. The Virginia Housing Development Authority allocates these credits.

## Match Requirements

### **HOME Investment Partnerships (HOME) Program**

The State will satisfy the requirement that it match all HOME funds with non-federal funds at a 25 percent level in the following manner:

- A portion of the match will be derived from the present value of interest reductions of below-market-rate loans where the project also receives HOME assistance.
- The balance of the annual match liability is derived from State general revenue funds that are contributed to housing projects assisted with HOME funds and those that meet the HOME affordability requirements.
- Twenty-five percent (25%) of the State's annual match liability can be derived from the face value of State mortgage revenue bond loans, both multi-family and single family loans.

### **Community Development Block Grants**

Projects funded via the CDBG Program do not have per se matching requirements; however, potential grantees can enhance their competitiveness by incorporating local resources in proposals for community improvement grants. Similarly, the degree of commitment as evidenced by private funds included in applications for certain economic development projects can affect their competitiveness. Thus, historically, the majority of successful applications include some degree of local participation--by the local government, private entities, or both. Based on projects under contract from the previous 2001 round, CDBG funded projects generated \$9.6 million of local support, \$10.1 million in additional private investment and \$18.2 million in other state or federal funds.

### **Emergency Shelter Grant (ESG) Program**

Federal regulations require a one-to-one match for ESG expenditures. The Department requires that all subrecipients of ESG funds provide the necessary match and submit a budget indicating the amount and source of match before the disbursement of funds. Eligible sources of match include state funds through the SHARE Shelter Support Grant, local funds, United Way contributions, private donations, volunteer hours, and in-kind

contributions. Each ESG subrecipient is monitored regularly following departmental procedures, to ensure compliance with all federal requirements, including match expenditures.

### **Housing Opportunities for People with AIDS (HOPWA) Program**

Matching funds are not required for the HOPWA Program

#### Leveraging Private Resources

Leveraging other resources, including those from the private sector, is an important part of the State's housing and community development activities particularly in the use of VHP loan funds and HOME funds. The State's homeownership program provides down payment and closing cost assistance that leverages private mortgage financing.

The State's loan programs for the development and preservation of affordable housing will require some minimum level of leverage. However, due to the competitive nature of the funding, historically leverage has been significantly greater than the minimum. The State anticipates public and private leverage for these activities would exceed \$15 million.

In evaluating CDBG applications, DHCD considers the degree of commitment to a project as evidenced through the pledge of either local (for community facilities and housing) or private (for economic development) resources. Historically, the actual amount of leveraged funds has varied considerably from project to project, with economic development open submissions showing high private/public dollar ratios and other types of projects showing a more modest degree of leveraging of other public or private resources. The 2001 funding round generated approximately \$37.9 million in local, other state, other federal, and private resources--\$10.1 million in the latter category.



### C. PROPOSED USES

#### Proposed Uses of State and Federal Funds

PROGRAM	STATE GRANT OR CREDIT	VHPF LOAN	HOME	OTHER FEDERAL
Home Ownership	0	\$2,000,000	\$3,170,050	0
Affordable Housing Production/ Preservation Fund [including CHDO Set-Aside] <sup>1</sup>	0	\$3,500,000	\$3,170,050	0
State Low income Housing Tax Credit	\$500,000	0	0	0
Assisted Living	0	0	0	0
Weatherization & Other Energy Assistance	\$100,000	0	0	\$8,090,252
Emergency Home Repair	\$352,725	0	0	0
Lead Based Paint	0	0	0	0
Indoor Plumbing and Rehabilitation Loans	\$3,019,205	0	\$5,000,000	0
Disaster Recovery Initiative <sup>2</sup>	0	0	0	0
Derelict Structures	0	0	0	0
Shelter Expansion	\$601,700	0	0	0
Shelter Operations and Support Services	\$1,709,120	0	0	\$2,800,000
Homelessness Prevention	\$4,191,000	0	0	0
Services to Homeless Children	\$360,000	0	0	\$300,000
Support for Homeless Families	0	0	0	\$4,250,000
Supportive Housing	0	0	\$800,000	\$300,000
Housing Services for Persons with HIV/AIDS	0	0	0	\$614,000
[Capacity Building Program]	\$200,000	0	0	0
CHDO Support <sup>3</sup>	0	0	0	0
CHDO Predevelopment <sup>3</sup>	0	0	0	0
CDBG Grants <sup>4</sup>	0	0	0	\$23,856,180
ARC Grants	0	0	0	\$3,500,000
TOTAL <sup>5</sup>	\$11,033,750	\$5,500,000	\$12,140,100	\$43,710,432

<sup>1</sup> All HOME funds allocated to the Affordable Housing Production/Preservation Program are distributed to CHDOs. The CHDO set aside shall be a minimum of 15 percent of the state's HOME allocation.

<sup>2</sup> All 1997 and 1998 DRI funding is currently under contract and no additional funds are currently available from this source.

<sup>3</sup> Reprogrammed funds, no FY 2002 allocation

<sup>4</sup> From 1982 through 2000, housing projects (rehabilitation and production) accounted for 30% of all funded projects, economic development for approximately 22%, community facilities 39%, comprehensive community development 8%, and community services less than 1%. State

administration, technical assistance, and planning grants are excluded from the total. Prior year returned funds of \$\_\_\_\_\_ and \$\_\_\_\_\_ in program income have been added to the total.

<sup>5</sup> Total includes reprogrammed repayments/interest earnings and program income. DHCD allocates HOME Program funding to programs when it is received. State administrative costs are excluded for housing programs.

#### **D. GEOGRAPHIC DISTRIBUTION**

Although there are no formal plans for geographic distribution of most of the housing resources identified in this Consolidated Plan, specific housing programs have measures to provide a fair distribution of available resources as follows:

- The Indoor Plumbing/Rehabilitation, which includes HOME program funds, only funds projects in CDBG non-entitlement jurisdictions.
- Under the Affordable Housing Production Preservation program a local match of public funds will be required for projects located in communities that are both CDBG and HOME entitlement jurisdictions. Localities in HOME consortia that are not both HOME and CDBG entitlements will continue to be eligible for project funding on the same basis as nonentitlement jurisdictions. This policy is intended to encourage the use of local resources in HOME entitlement communities. The success of this preference is dependent on the receipt of applications for projects in the non-entitlement areas.
- The HOME funds incorporated within the Single-Family Regional Loan Fund are allocated annually to each region on the basis of each previous year's activities and the blend of resources needed to maximize program accomplishments in light of regional housing costs.
- The ESG-funded Federal Shelter Grant is restricted to non-ESG entitlement communities. The FY 2002 CPD Formula Program Allocation designates eight (8) localities as ESG entitlements: Arlington County, Fairfax County, and the Cities of Newport News, Norfolk, Portsmouth, Richmond, Roanoke, and Virginia Beach.
- HOPWA funds are limited to jurisdictions outside of the Northern Virginia-Washington D.C., Newport News-Virginia Beach, and Richmond-Petersburg EMSAs and are allocated to six geographic service regions: Southwest, South Central, Northwest, Eastern, Eastern Shore, and the Middle Peninsula. Each year regional funding targets are established using an "estimated need" that allocates 80 percent of program funds on the basis of the cumulative number of HIV and AIDS cases, excluding the deceased, reported to the Virginia Department of Health by local governments within in each of these regions. DHCD allocates the remaining 20 percent of HOPWA funds based on each designated region's proportion of the land area in the balance of state.

The state HOPWA program currently encompasses 31,749 square miles. Based on surveillance data from the Virginia Department of Health through December 31, 2001, 3,707 persons were residing in one of the ninety-one (91) localities under the state HOPWA program when their first positive HIV antibody test was performed or when they were first diagnosed with AIDS (see *Distribution of HIV and AIDS Cases Within Program Service Regions*). These statistics are based on the number of cumulative cases of HIV and AIDS reported per locality since 1989 and 1982 respectively, excluding deceased

cases. Overall, the cases distributed across the state HOPWA geographic service area account for 13.3% of all cumulative cases of HIV/AIDS in Virginia.

Projects in cities and counties not designated as HOME entitlements receive first priority; projects in HOME entitlement cities and counties receive second priority.

- Housing and community development activities undertaken with CDBG funds are limited to the area encompassed by CDBG non-entitlement localities. Although they are widely dispersed across the Commonwealth, they generally fall outside the bounds of metropolitan Virginia's major central cities and larger suburban counties.

### **E. HOMELESS AND SPECIAL NEEDS ACTIVITIES**

The Department of Housing and Community Development will continue to administer program funds from both federal and state sources directed toward improving the quality of existing shelter and transitional housing facilities and supportive services.

Additional funding using TANF, which first became available in January 2001, will be used to provide supportive services and operations of providers that address the needs of homeless persons. During its 2002 regular session, the General Assembly reduced the TANF funds available for use during state FY 2002. Anticipated funding from this source is partially restored in FY 2003.

DHCD will also continue to focus state-funded and TANF supported efforts on activities intended to prevent homelessness through the Homeless Intervention Program (HIP).

~~While~~ Although DHCD's policies do not established specific allocations for each of the special housing need areas identified in the Consolidated Plan, the inherent flexibility of the Partnership Fund enables the Department to respond to a variety of different groups with special housing needs.

Because of the evidence developed during the 2001 Housing Needs Assessment process suggesting that many of the housing needs of the aging, the disabled, and other populations with special needs may increase in absolute, if not relative terms in the future, DHCD needs to continue, and if possible, explore additional opportunities to participate with other agencies and groups in finding ways to prepare for and meet these expanding needs and their relationship to supportive services. Recent legislative actions addressing the housing needs of disabled Virginians reinforce this perception.

## **F. OTHER HOUSING AND COMMUNITY DEVELOPMENT ACTIONS**

### **Disaster Recovery Initiative**

DHCD has implemented Action Plans for the 1997 and 1998 Disaster Recovery Initiatives that are currently providing support for the repair or replacement of housing and upgrades to critical utility and storm drainage facilities damaged as result of Hurricanes Fran (1996) and Bonnie (1998). All funds associated with the initiatives are currently under contract.

### **Coordination with Low-Income Housing Tax Credits**

VHDA is responsible for the administration of federal Low-Income Housing Tax Credit (LIHTC) in Virginia. LIHTC will continue be used with VHDA taxable and tax-exempt bond issues, the VHDA Housing Fund, the Virginia Housing Partnership, Community Development Block Grant (CDBG), and the HOME Investment Partnerships Program to develop multi-family rental housing. The two agencies have committed to coordinate activities so that the allocations of these resources are utilized to the greatest extent possible. Operations of the State Low Income Housing Tax Credit, which DHCD administers, are linked by statute and regulation with the administration of the federal credit. VHDA and the Department of Taxation have been active participants in the process for developing regulations to implement the most recent (2001) amendments to the State credits.

### **Barriers to Affordable Housing**

In the coming year, the State will take the following steps to address regulatory barriers to affordable housing:

- Continue to coordinate project funding through various sources in a way that will reduce nonessential duplicative requirements.
- Continue to administer a Uniform Statewide Building Code and develop standards to be used in the rehabilitation and productive reuse of existing residential and non-residential structures.
- Offer training through the Building Code Academy that focuses on the provisions of the USBC that facilitate the maintenance, rehabilitation, development and reuse of existing buildings.
- Continue to use incentives in scoring competitively funded programs for reducing regulatory barriers at the local level.
- Promote the use of varied types of single-family dwellings in areas zoned agricultural and residential.
- Continue to scrutinize state enabling legislation, local land use ordinances, and introduced legislation that could impede the production and preservation of affordable housing.
- Continue working with the homebuilding industry to consider the impact of state statutes and local regulations affecting the industry.

- Pursue **Homeownership** initiatives underway at the Department that assist lower-income households for the purchase of their first home.

#### Lead-Based Paint Hazard Reduction

The Commonwealth of Virginia intends to apply to the U. S. Department of Housing and Urban Development for up to \$2.5 million in additional funding through a Tenth Round Lead-Paint Hazard Control Grant. The Commonwealth will propose continuing implementation strategies that reduce the presence of lead hazards and decrease the incidence of lead poisoning- by coordinating health department screening activities and the reduction of lead hazards in housing. Virginia Lead Safe Homes Program (VLSHP) funds will support:

- Reducing or removing lead-based paint hazards identified as a result of participation in federally funded housing programs, or in eligible privately-owned housing in targeted areas identified through the data resources of the Virginia Department of Health;
- Assisting in the development and implementation of lead hazard awareness programs in communities and households, and in raising the general public's awareness of the danger of childhood lead poisoning;
- Educating, training, and mentoring local housing rehabilitation program administrators in the implementation of state and federal lead hazard control regulations;
- Coordinating interagency partnerships within state government to assist regulatory implementation;
- Increasing the number of qualified, licensed lead-based paint Inspectors, Risk Assessors, Contractors, and Clearance Technicians as necessary within target areas; and
- Participating in the continued development and implementation of assessment models to evaluate program effectiveness.

The program will provide hazard reduction assistance for housing rehabilitation programs in targeted areas. Local subgrantees will implement and coordinate hazard reduction activities for Health Department referrals of children with Elevated Blood Lead Levels (EBLL).

Targeted areas will be identified from Health Department data by locality for those with the highest percentage of children under the age of six with EBLL. The data was obtained through health department screening activities, and from census data. This model ranks factors such as number of houses constructed prior to 1978, population size, income, and populations with a high percentage of below poverty level children under the age of six.

DHCD will maintain the current priorities of the Virginia Lead Safe Homes Program. These are:

- Residential units occupied by children under 6 years of age with diagnosed EBL.
- Residential units occupied by children under 6 years of age.
- Vacant residential units to be rehabilitated and sold to lower-income families with children.

- Vacant residential rental units to be rehabilitated and occupied by families with children.
- Virginia Residents at or below 80% of the AMI limit.

Lead hazard control activities will only be conducted in housing units meeting the following eligibility criteria:

- The unit must be privately owned. (*Housing units owned and operated by public entities will only be eligible if the units will comply with the residency, income, and child occupancy requirements outlined in this document.*) Units owned by non-profit entities are considered privately owned.
- The housing may be owner occupied or rental property. The resident (owner or tenant) must be low- or very low-income.
- The housing units must have been constructed prior to 1978.

Eligibility for assistance for privately owned housing would be based on the income of the owner or occupant, the age of dwelling unit, and the occupancy or potential occupancy of children below the age of 6. Assistance will be available for those units whose current or potential occupants are at or below 80% of AMI and are, or will be, occupied by families with children. The first priority will be housing units occupied by children diagnosed with elevated blood levels; second priority will be housing units occupied by children six years of age and under; and the third priority will be vacant housing to be sold or rented to families with children.

Eligible, privately owned housing in which risk assessment, paint inspection, and lead hazard control will be undertaken will be identified through health department screenings and referrals.

Housing rehabilitation under CDBG and IPR (HOME) will require that all housing rehabilitation specialist become licensed Inspector/Risk Assessors. Planning Grants may be modified to require lead blood screening requirements as a part of the planning grant process.

DHCD will continue to report to and work with the Joint Legislative Subcommittee studying the abatement of lead-based paint, following up on a report submitted in December 1999 by an interagency task force to the Senate Joint Subcommittee considering issues related to lead hazards. As an indication of its support for continued activity in this area, the 2002 session of the Virginia General Assembly recently approved a continuation of the Joint Subcommittee for an additional year.

#### Reduce the Number of Poverty Level Families



DHCD will promote and coordinate housing services with activities that help reduce the number of poverty-level families in Virginia. Virginia continues to pursue several economic development initiatives that, like economic development and self-help portions of the CDBG program, are also intended to strengthen local economies, increase employment opportunities, and enhance business opportunities, particularly within lower income communities or portions of communities. These include the following:

- The **Virginia Enterprise Zone Program**, which offers tax incentives for businesses to hire and invest in distressed communities and areas of the state that have lagged behind the overall growth of the State's economy.
- The **Virginia Enterprise Initiative**, which leverages private sector support for community-based micro enterprise (self-employment) programs; these programs in turn provide access to capital and business skills to aspiring low-income entrepreneurs.

#### Interagency and Public Entity Coordination

DHCD will work with a variety of state and federal agencies in the implementation of all of its Consolidated Plan priorities. State agencies include the Virginia Housing Development Authority (VHDA), the Virginia Housing Study Commission (VHSC), the Virginia Department of Taxation (TAX), the Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS), the Department of Social Services (DSS), VDA, and the Department of Rehabilitative Services. Federal agencies include Department of Energy (DOE), HUD, the Appalachian Regional Commission (ARC), and the Rural Development Administration (RDA) of USDA. These agencies will be invited to participate in the review of input from focus groups, as appropriate, and the development of the draft priorities and objectives. At the local level, DHCD anticipates working with public housing authorities and units of local government.

One of the priorities identified in the State's Consolidated Plan is to "Develop partnerships at the State, local, community and regional levels that facilitate coordinated use of resources and shared accountability." This priority will guide the development and implementation of housing and community development programs to the extent possible.

#### Expected Outcomes

The outcome of the proposed actions can only be estimated based on historical data and level of approved funding. The expected results of the actions, as proposed, include:

Designing, developing, and implementing housing programs, with \$24 million in state and federal resources, providing:

- Down payment assistance to 300 first-time homebuyers
- Emergency and transitional housing to 25,000 persons

- Emergency repairs to 800 homes
- Weatherization improvements including heating system repair to 2,200 homes
- Development of and rehabilitation of 200 rental units
- Certification of four new CHDOs
- Training for 250 housing providers through the Housing Training Center
- Funding for 20 child services coordinators in 20 shelters
- Technical assistance to 100 housing sponsors (nonprofit and for profit)
- Assistance to 2,500 households threatened with eviction or foreclosure
- Assistance for 350 households with indoor plumbing and associated rehabilitation
- Management and administration of the \$100 million Virginia Housing Partnership Fund

and further providing:

- That more than thirty eligible communities receive \$20 million in Community Improvement Grants for housing, economic development, and community development activities that will benefit LMI persons, eliminate slums and blight, and meet urgent local needs for community facilities
- \$2,713,300 to meet 2000 CDBG letters of intent to fund projects in 2001 and provide \$922,000 in support to a FY 2000 multi-year housing project
- \$500,000 available for CDBG planning grants to assist localities develop responses to locally perceived housing, economic development, and community development needs

In addition, DHCD will:

- Administer \$3.5 million in Appalachian Regional Commission funding for projects targeting at least one of the five ARC goal areas:
  - ✓ Education
  - ✓ Infrastructure
  - ✓ Leadership and Civic Development
  - ✓ Economy
  - ✓ Health

Most of Virginia's ARC Funding is available to localities in the Appalachian region of the state through the Area Development Program. This Program targets all of Virginia's ARC localities as well as designated Distressed counties in far Southwest Virginia. Although projects targeting any of the goal areas are eligible, most recipients use them to fund projects providing infrastructure or improving local economies.

Virginia provides annual ARC funding to the Planning District Commissions (Local Development Districts) in the Appalachian region. This allows the Commissions to provide technical assistance to localities and organizations in their districts.

ARC occasionally develops special Initiatives that focus on an aspect of a particular ARC goal area. ARC allocates funding, generally annually over a three- year period, to each of the 13 states in the ARC region to implement these Initiatives. Virginia is in its third year of implementing the ARC Entrepreneurial Initiative, which targets the Economy goal. Virginia has used this Initiative's funding to invest in business incubators, small business training programs, and business financing efforts that create new businesses and job opportunities in Appalachian Virginia.

Other ARC efforts implemented by Virginia include the selection of students and teachers for a Summer Institute held at Oak Ridge National Laboratories, and working with Distressed Counties under the FLEX-E-GRANT Program, and working on a new telecommunications initiative.

## **G. PROGRAM SPECIFIC REQUIREMENTS**

### **HOME Investment Partnerships Program**

#### **Guidelines for Home Ownership Resale and Recapture**

The State has chosen the option of recapturing the full HOME investment out of the net proceeds of the sale. The term of the deferred loan, secured by a junior mortgage, ranges from five to fifteen years depending on the amount of HOME funds invested. The loan documents allow the State to approve the assumption of the remaining term of the loan, at time of sale, by an income-eligible purchaser.

#### **Program Income**

The State anticipates approximately \$275,000 in program income attributed to the HOME Investment Partnership Fund. This income is in the form of interest earnings on multifamily projects and recapture of HOME funds on rehabilitated owner-occupied units due upon transfer of ownership of property. The income will be used for other HOME-eligible activities.

In addition, the Indoor Plumbing/Rehabilitation Program has continued to be administered as a loan program. Repayments are made based on the homeowner's financial capacity. The subrecipient retains repayments under IPR for use on other HOME-eligible projects. Each subrecipient must develop a plan for utilizing any program income and report program income to the State.

#### **Affirmative Marketing/Minority and Women Business Outreach**

DHCD requires sponsors for projects consisting of five or more units to adopt affirmative marketing procedures and requirements. DHCD provides each sponsor with a model affirmative marketing strategy that may be adapted to meet the individual project's specific features. The Department reviews draft strategies and requires that sponsors submit their final or adopted strategies for review and approval before giving its final funding commitment. These procedures and requirements must include the project sponsor's methods for informing all parties of the fair housing laws and the policies, requirements and practices that the owner must carry out to assure the widest possible outreach, record keeping requirements, and the method to be used to assess the success of the marketing strategy.

Minority and women's business enterprise outreach requirements apply to all housing programs operated by DHCD. However, HOME-funded projects are subject to requirements that are more specific. Project sponsors are required to take several steps to facilitate participation by small women-owned and minority enterprises. These include dividing procurements for goods, services, and contracts, where possible, into small segments; establishing delivery schedules to encourage their participation; publishing notices via *legal advertisement* in *regional* newspapers of anticipated contracts, services and procurement;

maintaining solicitation lists; giving construction contractors copies of this solicitation list; including goals for women-owned and minority business goals in construction contract documents; and maintaining a register of all minority and women-owned enterprises actually used. Contract documents and individual project goals must be sent to DHCD at the time that the project sponsor is preparing bid specification packages. Project sponsors are responsible for requiring contractors to submit information monthly on minority and women-owned enterprise.

### State Method of Distribution

Program	Fund Distribution Method	Minimum	Maximum
CDBG	Competitive	\$19,678,200	\$23,856,180
	Non-Competitive	\$0	\$4,177,980
	State Administration		\$491,880
	State Technical Assistance		\$245,940
ESG	Competitive		\$0
	Non-Competitive	\$1,273,000	\$1,273,000
	State Administration		\$67,000
HOME	Competitive		\$0
	Non-competitive		\$12,140,100
	State Administration		\$1,348,900
HOPWA*	Competitive	0	\$0
	Non competitive	\$595,580	\$595,580
	State Administration		\$18,420

### **Methods of Distribution for Components of the State's HOME Allocation**

The state's HOME allocation is used in conjunction with state funding sources to support housing programs addressing lower-income homeownership and rental opportunities. Four primary program areas receiving portions of the state's available HOME funding. The set-aside for Supportive Housing will be distributed statewide to applicants that receive a HUD Supportive Housing grant. The Affordable Housing Production/Preservation (AHPP) component, which incorporates the CHDO set-aside, will employ an open submission application process. The Single-Family Regional Loan Fund (SFRLF) establishes regional allocations in which an open submission application process will be used. Unused regional allocations will revert to an incentive fund. Item 112 of the 2002 Appropriations Act sets aside general fund for the Indoor Plumbing Program and further requires that "an annual allocation of federal dollars will be made available to this program depending upon the level of federal support each year." HOME funds used in the Indoor Plumbing/Rehabilitation (IPR) program use an allocation process similar to the Regional Loan Fund.

#### Affordable Housing Production/Preservation Program

The AHPP program provides flexible, below-market-rate loans to projects for the creation or preservation of affordable housing for lower-income Virginians. AHPP funds fill gaps for permanent financing to make a project feasible for the creation and preservation of affordable housing for lower-income households after other resources, including low-income housing tax credits, bond financing, and other public and private funds, are identified and committed. The HOME Fund component of this program is limited to qualified CHDOs undertaking CHDO-eligible activities

Eligible projects are those owned or developed by qualified CHDOs that have received and retained certification by DHCD. The CHDO must be the sole owner of the project or, in the case of a partnership, the managing general partner. A CHDO acting as developer must have an executed developer's agreement with the ownership entity that provides for all decision-making during the development process to be controlled by the CHDO. The CHDO must also have all required licensing, certifications, and insurance necessary to carry out development activities.

CHDOs may use HOME funds for acquisition, hard and soft development costs, legal fees, relocation costs, etc. Similar costs are eligible for the development of housing for sale to first-time homebuyers with the exception of operating reserves. Projects proposing lease-purchase options for the homebuyers must certify and provide documentation that the lessees will be able to purchase within a 36-month period after occupancy. If the initial lessee cannot exercise this option the CHDO has two options as follows:

1. Displacing the lessee and selling the home to another income-eligible household; or
2. Allowing the lessee to stay as a tenant. In this case the property becomes rental for the remainder of the affordability period and must comply with all requirements for HOME-assisted rental units.

The status of each CHDO applying for AHPP funds must be certified by DHCD prior to issuing a commitment of HOME funds. In addition, information will be requested in the application on the CHDO's role with the proposed development. DHCD intends to certify only those Community Housing Development Organizations (CHDOs) serving participating jurisdictions (PJs) lying within state program areas (primarily non-metropolitan communities). Other entitlement PJs will have to certify their own CHDOs and be accountable to ensure they do not exceed funding limits for operating/technical assistance support. In the case of regional organizations (e.g., consortia) comprising communities lying both within the program area of the state and of other participating jurisdiction areas, DHCD would certify only for the jurisdictions lying within the state areas

For predevelopment lending:

- State-certified CHDOs conducting projects in areas that are included with a state participating jurisdiction would receive full access to funding when meeting eligibility requirements.
- Certified CHDOs conducting projects in areas that are located in a HOME entitlement participating jurisdiction area but that is not in a CDBG entitlement area could receive matching funds provided they can produce a letter of commitment by their participating jurisdiction, and a statement from the PJ indicating they are a currently certified CHDO in their PJ.
- CHDOs conducting projects in areas that are both HOME and CDBG entitlements are not eligible.

For CHDO development assistance:

- State-certified CHDOs that have state HOME funds for projects in areas that are included in the state participating jurisdiction would receive full access to funding
- Certified CHDOs that have state HOME funds for projects in areas that are located in a HOME entitlement participating jurisdiction area but not in a CDBG entitlement area could receive matching funds provided they can produce a letter of commitment by their PJ, and a statement from the PJ indicating they are a currently certified CHDO in their PJ.
- CHDOs that have state HOME funds for projects in areas that are both HOME and CDBG entitlements are not eligible.

#### Single Family Regional Loan Fund

The Single Family Regional Loan Fund (SFRLF) provides below-market-rate mortgage loans to lower-income (at or below sixty percent (60%) of the area median income), first-time homebuyers for the purchase of their primary residence, including new and existing single-

family homes (townhouses, condominium units, and manufactured homes). Financing under the SFRLF may not be used for construction or rehabilitation activities.

For the next program year, DHCD will allocate \$3,170,050 in HOME funds to the SFRLF. Allocations to the individual regions are made at the beginning of the program year. Regional allocations take into consideration the overall amount of funding available for the SFRLF from various sources, including HOME, an analysis of the previous year's activities and accomplishments within each region, and the effect of regional housing costs. The precise mix of Virginia Housing Partnership, VHDA mortgage, and HOME funds within each region reflects these factors. For example, areas with unusually high housing costs may require a higher proportion of HOME funds in order to serve the target population.

Regional administrators may use HOME funds for down payment and closing cost assistance. HOME funds may be deferred, forgiven, and/ or amortized as deemed appropriate by each administrator. Any structuring of HOME funds must comply with the federal HOME Investment Partnership final rule at 24 CFR Part 92. HOME funds may only be used with fixed-rate, fixed-payment mortgages. HOME funds may be used to provide assistance of up to the lesser of 10% of the sales price or appraised value, plus \$2000 for closing costs if paid by purchaser of the sales price.

In addition to the normal underwriting criteria applied to loans under the SFRLF, DHCD reserves the right to review all applications and underwriting of primary loans provided by other sources when HOME funds are requested. In general, underwriting requirements expected of other lenders should be consistent with VHDA underwriting requirements. HOME funds must be in second lien position unless otherwise approved by DHCD or restrictive covenants are used. All properties must, at a minimum, meet Section 8 Housing Quality Standards and applicable local codes. A Section 8 HQS checklist must be completed for each property and maintained in the local or regional file. An FHA appraisal may be used in lieu of the Section 8 inspection if the appraisal involves an internal and external visual inspection of the property. Any deficiencies noted in either inspection must be repaired prior to closing the sale of the property.

Structures may not be located in coastal barrier zones or airport runway zones. If the appraisal does not specify, the administrator must get appropriate documentation from the local building or zoning official. Dwellings constructed prior to 1978 must be free of any defective paint surfaces based upon a documented visual inspection of the property. The purchaser must receive a copy of a lead-based paint notification pamphlet. The FHA appraisal may include a visual inspection of painted surfaces.

SFRLF Regional Administrators and partner organizations are considered sub-recipients in using HOME funds. DHCD will provide a complete copy of the HOME Final Rule to each Regional Administrator. Requirements include those for initial commitment of funding and those for ongoing monitoring for compliance during the applicable term of affordability. The basic requirement is that the homebuyer uses the home as their primary residence for a period not less than 5 years when less than \$15,000 in HOME funds are invested and 10 years where



\$15,000 to \$20,000 in HOME funds are invested. Each Regional Administrator or partner group responsible for securing the HOME funds must develop a plan to monitor compliance.

Regional Administrators are responsible for providing a disclosure and a good faith estimate for any HOME loan and servicing such loans. The Regional Administrator may delegate this responsibility to local partners in a written agreement.

Projects using HOME funds may also be subject to the following additional federal requirements:

Equal Opportunity and Fair Housing – Sub-recipients must develop marketing, outreach, and selection criteria providing the targeted population equal access to the program. A record of demographics of those applying for assistance must be maintained along with reasons for denial.

Environmental Review – For projects involving only the transfer of title of property, environmental reviews are limited to determining location of property relative to 100-year flood plains, coastal barrier zones, and airport runway zones, which may be documented in the appraisal report or a letter from the appropriate local official.

Displacement and Relocation - Sub-recipients must comply with applicable Uniform Relocation Act Requirements (URA) as follows:

- a) If an owner-occupants is selling a property, the owner is not eligible for relocation if, prior to the sale, the seller is notified in writing (1) of the fair market value of the property; and (2) that the buyer does not have the power of eminent domain and will not acquire the property if negotiations fail to result in an agreement.
- b) If, a tenant occupies the property at the time of the purchase contract being executed, all URA requirements must be met. This requires timely notices to the tenant(s) and could require payments to be made to the tenants.

Lead-based Paint – Homes constructed before 1978 must be visually inspected for defective paint surfaces. The purchaser shall be made aware of such defective surfaces, and provided with a copy of a pamphlet detailing the hazards associated with lead-based paint. An inspection, hazard reduction activities, and clearance testing may be required for all purchases involving pre-1978 homes.

Other Federal Requirements – All sub-recipients must comply with applicable administrative requirements found in OMB Circulars A-87 and A-122 and applicable portions of 24 CFR 84

## Emergency Shelter Grants (ESG)

### **Method of Distribution and Criteria for Awarding Grants**

The Virginia Housing Study Commission, with assistance from the Virginia Interagency Action Council for the Homeless, conducted a study, requested under House Joint Resolution 257 (2000), on the number and needs of homeless persons in rural areas of the State. Based on the findings and recommendations of the study, a maximum of \$150,000 will be set aside from the essential services and prevention categories to fund a regional pilot project. The project will consist of a comprehensive system of outreach, intake and assessment, service referral, and case management for families and individuals who are homeless or at risk of homelessness. The regional recipient will be selected through a competitive process, limited to nonprofit and local government providers of shelter and services in non-metropolitan areas of the State that were included in the study.

The Department will make funds available to nonprofit and local government providers of shelter and services for operating costs of homeless facilities through a noncompetitive process. These funds will be awarded to eligible providers in non-entitlement cities and counties through a formula allocation, using the number of beds approved by the local building official. Providers of day shelter will use 50 percent of the average daily clients as a basis. The Department will prorate the beds according to the number of months those seasonal, part-year shelters and new programs will be operating during the grant year. At a minimum, all subrecipients except for providers of seasonal, part-year shelter are required to provide needs assessment, case management, and information and referral to homeless clients. In addition, providers of emergency shelter must be able to document placement into permanent housing of 10 percent of the homeless clients served during the previous grant year, and providers of transitional housing must be able to document placement into permanent housing of 50 percent of the households completing the transitional housing program during the previous year. Providers of transitional housing who receive a Supportive Housing Program grant for operations, a Section 8 Program subsidy, or another governmental rental subsidy, or charge in excess of 30 percent of the resident's income for rent, or provide more than 50 percent of the program budget through rents collected, are ineligible for ESG funding. Applicants must be in good standing with the Department in submitting required period reports and other documents. The above describes the method of distribution and criteria for awarding grants in general; requirements and procedures for accessing ESG funds are described in detail in the ESG application and operations manual as well as requirements and regulations for the expenditure of ESG funds. The current regulations are included to clarify program procedures and requirements.

The Department will deduct from the State's allocation the allowable 5 percent for administration from the ESG allocation and will share this amount on a proportional basis with local government subrecipients. Administrative funds will be used to pay staff costs associated with administering ESG (including travel costs for required site visits, technical assistance, training, and other materials directly related to the program).

## Housing Opportunities for Persons with AIDS (HOPWA)

### **Method of Distribution and Criteria for Awarding Grants**

The Department of Housing and Community Development will make funds available through a regional competitive process to eligible nonprofit organizations or governmental housing agencies serving HOPWA non-entitlement jurisdictions. DHCD establishes regional funding targets using the following formula: 80 % based on the cumulative number of HIV and AIDS cases (subtracting "deceased cases") reported to the Virginia Department of Health through December 31, 2001; 20 % based on each region's percentage of the State's geographic area in square miles. The HOPWA Application Manual and Program Guide describes in detail the requirements and procedures for accessing these funds. Appropriate sections of the Code of Federal Regulations will be included in the manual to clarify standard guidelines for operating the program.

Funds will be awarded to organizations meeting eligibility and program threshold requirements. DHCD prefer funding only one applicant per region to serve as the Lead Agency with associated HOPWA subcontractors; however, funds will be awarded to more than one applicant with adequate justification.

The state also currently anticipates that some unspent HOPWA funds allocated in fiscal year 2001 will be used to update the *Virginia HIV/AIDS Housing Needs Assessment*, completed in May 2001. The update will be produced in coordination with the City of Richmond and the City of Virginia Beach entitlements. Additional funds will be used for training and technical assistance for HOPWA project sponsors, as allowable under HOPWA regulations.

The Department will deduct from the State's allocation the allowable 3 percent for administration. These funds will be used to pay staff costs associated with administering the HOPWA grant (including travel costs for required site visits, technical assistance, training, and other materials directly related to the program).

## Community Development Block Grants (CDBG)

### **Method of Distribution and Criteria for Awarding Grants**

Funding available for Competitive Grants will be awarded following careful evaluation of all proposals received or postmarked by the March 27, 2002 deadline. Community Economic Improvement Fund, Community Development Innovation Fund (except for the Local Innovation Program which terminates August 1, 2002), and Urgent Need Open Submission projects will receive funding on an open basis between January 1, 2002 and October 31, 2002. Community Economic Improvement Fund and Community Development Innovation Fund projects will be funded to the extent of the respective funding caps.

There is no cap on Urgent Need Open Submission (UNOS) projects. Urgent Need Open Submission projects received prior to March 20, 2002 will receive funding from the amount available for Competitive Grant projects. Urgent Need Open Submission projects received between March 20, 2002 and October 31, 2002 will receive funding from the amount available for Community Economic Improvement Fund projects.

Funding for Community Economic Improvement Fund and Community Development Innovation Fund projects which has not been obligated following October 31, 2002 will be committed to projects with Letters of Intent or awarded to the next highest ranking 2002 Competitive Grant projects. Funding recaptured through closeout of older Community Improvement Grant projects or which is returned to DHCD as Program Income may also be committed to funding additional Competitive Grant or Self-Help projects.

Planning Grants will be awarded on an open basis between January 1, 2002 and October 31, 2002.

#### **GENERAL POLICIES**

Several policies are applicable to all assistance available under the Virginia Community Development Block Grant Program, except where otherwise noted:

#### **NATIONAL OBJECTIVES**

All proposals and all project activities must address one of the three national objectives as detailed in the earlier section entitled Community Development Block Grant (CDBG) National Objectives.

#### **ELIGIBLE LOCALITIES**

Non-entitlement units of local government are the only eligible recipients of Virginia CDBG funding, but eligible local governments may contract with Planning District Commissions, non-profit organizations, and other competent entities to undertake project activities.

#### **ELIGIBLE ACTIVITIES**

All activities listed as eligible in the Community Development Block Grant regulations under 24 CFR Part 570, Subpart C are eligible for funding under the Virginia CDBG Program. These regulations are available via the World Wide Web at the following address:  
[http://www.access.gpo.gov/nara/cfr/waisidx\\_01/24cfr570\\_01.html](http://www.access.gpo.gov/nara/cfr/waisidx_01/24cfr570_01.html).

#### **CITIZEN PARTICIPATION REQUIREMENTS**

All applicants must provide citizens an adequate opportunity to participate in the development of proposals for CDBG assistance, particularly Community Improvement Grant proposals. Notwithstanding important, ongoing, informal organizational efforts, each applicant for Community Improvement Grant funding must hold two public hearings to notify citizens of details of its past use of CDBG funding and of the activities, level of funding, and level of benefit targeted by its current application. In regional proposals, all participating local governments must hold these public hearings. Formal citizen participation requirements for

participating localities may be found in Appendix B of the 2002 Virginia Community Development Block Grant Program Design document.

### **MULTI-CONTRACT LIMITATIONS**

CDBG assistance is targeted for those localities where it will have the greatest impact on significant community development needs. However, localities with multiple current contracts for CDBG assistance will not receive additional assistance until the activities under the old contracts have been completed.

Localities may not exceed \$2.5 million in open CDBG contracts. Open contracts are those in which all required funding has not been expended, all contractual obligations have not been met, and/or required closeout forms have not been submitted to and physically received by DHCD. This limitation includes Community Economic Improvement Fund contracts, Urgent Need Open Submission contracts, Planning Grant contracts, and Community Development Innovation Fund contracts, including Self-Help Virginia contracts.

### **REGIONAL PROJECTS**

One local government must be designated as the lead locality for each regional project. Before receiving a contract with DHCD the lead locality and each participating locality must enter into a legally binding cooperative agreement to ensure equitable project implementation and compliance with all applicable regulations. Almost any project type may be considered regional if planning or implementation activities occur in or concern each of the participating localities. Regional projects targeting physical improvements must be contained to a single area that includes portions of adjacent CDBG-eligible localities. Each locality participating in a regional project will be held responsible for having dollar value capacity under the Multi-Contract Limitations.

Regional projects are limited to the grant maximum listed for that project type, except Community Improvement Grants for regional infrastructure. Regional infrastructure projects are limited to \$2,000,000 of VCDBG assistance. These projects must document a common problem and demonstrate significant involvement by each participating locality. Multi-jurisdictional utility extensions and interconnections, although potentially eligible for CDBG assistance, are generally not considered regional to the extent that these projects are considered for up to \$2,000,000 in CDBG investment.

Each participating locality in a regional infrastructure project must document either:

- A significant need to be addressed through services within each locality's borders for the benefit of its residents, including investment by each locality, equity in rates charged for service, and assurances that system improvements will be adequately maintained; OR,
- Consolidation of two or more existing utility systems into a single operating entity, such as a Regional Service Authority, with at least 51% of CDBG expenditures devoted to new service or a significant upgrade in service.

### **PROGRAM INCOME**

Income generated by a CDBG project is Program Income and must be returned to DHCD except in cases where a Program Income Plan has been approved. Such Plans will, in general, only be approved when the income will be reinvested in the same activity that generated the income and in the same geographic location from which it was generated. Program Income received by DHCD will be used to fund additional eligible VCDBG projects.

### **CONTRACT NEGOTIATION**

Following announcement of the award of a grant, DHCD will schedule a Contract Negotiation Meeting with a locality to further discuss the terms of the grant offer and to identify actions which must be taken by a locality, generally within a 90 day period, in order to receive a contract from DHCD. Failure on the part of a locality to complete identified actions will result in revocation of a grant offer by DHCD. Such actions typically include, but are not limited to, completion of Federal requirements, drafting and execution of other contracts and agreements, resolution of issues from previous contracts with DHCD, and completion of certain management planning activities.

### **FACILITY CONTROL**

Any facility built or improved with VCDBG funding must be controlled for at least 20 years through ownership or lien by the local government and maintained for the intended use OR the facility or the amount of VCDBG funding invested in the facility must be returned to the local government to utilize for other VCDBG-eligible activities authorized by DHCD.

### **ANTI-DISPLACEMENT**

Localities must minimize the displacement of individuals, families, businesses, organizations, and farms in implementing projects using CDBG funding. This includes direct displacement resulting from real property acquisition, rehabilitation, demolition, and conversion and any indirect displacement.

Localities targeting Community Improvement Grant funding must certify that displacement will be minimized at the local level and that a Residential Anti-displacement and Relocation Assistance Plan will be followed that includes a one-for-one replacement provision. Each recipient of Community Improvement Grant funding must provide financial benefits and advisory services to any individual or entity involuntarily and permanently displaced as a result of a CDBG-assisted activity. This assistance must be provided on an equitable basis.

### **PROJECT ENHANCEMENTS**

Additional funding of up to 10% of the VCDBG award *may* be made available to Community Improvement Grant projects for project enhancements. Funding for enhancements may be included in CIG proposals and budgeted accordingly or discussed at the contract negotiation meetings that follow the announcement of CIG awards. Funding will only be authorized for the actual costs of those enhancements that are consistent with and add measurable value to the original CIG activities. Examples of possible enhancements include providing construction skills training to residents of a neighborhood targeted by a Comprehensive

project or the creation of a homeownership program supporting a Housing Rehabilitation project.

### **PROJECT ADMINISTRATION**

VCDBG funding may be used to cover administrative costs for all types of Community Improvement Grants. VCDBG-eligible administrative costs are limited to 10 percent of the total VCDBG award. Absolute limits depend on the project type:

- \$50,000 for Competitive Grant – Community Facility projects,
- \$60,000 for Competitive Grant – Economic Development projects, Competitive Grant - Community Service Facility projects, Community Development Innovation Fund (except CDVC Fund) projects, Community Economic Improvement Fund projects, and Urgent Need Open Submission projects,
- \$75,000 for Competitive Grant – Housing projects and two-activity Competitive Grant - Comprehensive projects, and
- \$90,000 for three-activity Competitive Grant - Comprehensive projects and Regional Community Facility projects.

Administrative cost targets may be modified during contract negotiations. VCDBG funding generally may not be used for administrative costs in Planning Grant projects unless the locality receiving the Planning Grant award has never received prior VCDBG assistance.

### **PROJECT MODIFICATIONS**

DHCD reserves the right to adjust requests for VCDBG assistance and the terms of this assistance to optimize the provision of benefits, ensure that activities and improvements are eligible for VCDBG assistance, and otherwise promote efficient utilization of available funding.

### **LETTERS OF INTENT**

For projects where it is apparent that, because of the timing of the availability of other funding sources or similar factors, project implementation will not begin following an award of VCDBG funding, DHCD reserves the option of offering such a project a Letter of Intent for future VCDBG funding. Such future funding may be a commitment from a current or future year's CDBG allocation. Decisions to issue Letters of Intent will be made during the proposal review process. Applicants will receive notice of an award of a Letter of Intent at the same time other applicants receive notices of awards of funding.

Letters of Intent will generally be provided only to Competitive Grant proposals and will be limited in cumulative value to 30% of any individual year's CDBG allocation. All Letters of Intent issued during 2002 will expire on May 1, 2003. DHCD reserves the right to establish an alternative Letter of Intent expiration date between May 1 and September 30, 2003 to accommodate exceptional circumstances. A locality receiving a Letter of Intent can receive a funding offer if it executes formal agreements with all outstanding funding sources, resolves any outstanding issues, and takes formal steps to begin project implementation, such as publication of an invitation to bid for a project involving construction activities.

No extensions of a specified Letter of Intent termination date will be permitted. Letters of Intent for which all outstanding issues have not been addressed by this date will be voided, terminating all potential future funding obligations related to the original proposal submission. Localities impacted by a voided Letter of Intent will be eligible, multi-contract rule permitting, to submit a proposal for the same project in subsequent VCDBG funding competitions.

#### **CONTRACTS AND PAYMENTS**

DHCD reserves the option of funding projects under more than one performance-based contract and from more than one year's CDBG allocation. DHCD reserves the option of canceling additional contracts due to non-performance on initial contracts.

DHCD will make prompt payments under current contracts pending confirmation that performance expectations are being met. DHCD reserves the option of withholding payments for non-performance under any particular VCDBG project and for non-performance under any other DHCD programs.

#### **DHCD TECHNICAL ASSISTANCE**

DHCD will provide technical assistance to local governments and their agents in preparing and submitting proposals and otherwise pursuing assistance under the Virginia CDBG Program. This assistance will generally occur via telephone, facsimile transmission, electronic mail, formal meetings, and occasional site visitation.

#### **PLANNING DISTRICT COMMISSION REVIEW**

Local governments must comply with the provisions of §15.2-4213 of the Code of Virginia. This section of the Regional Cooperation Act requires that local governments notify Planning District Commissions of applications for state or federal aid. As this notification is for informational purposes only, it may take many forms during the pursuit of VCDBG assistance. Notification may be more standardized for those VCDBG assistance offerings with formal proposal submission requirements.

#### **PLANNING GRANTS**

##### **Background**

Virginia's CDBG Planning Grant program provides two kinds of grants: Project Planning Grants, and Community Organizing Planning Grants. They assist communities with the greatest community development needs to develop clearly articulated strategies for addressing their needs following meaningful citizen participation.

Planning Grant funding totaling \$500,000 is available on an open basis from January 1, 2002 until October 31, 2002 or until all of the funding is committed, whichever comes first. At Planning Grant workshops in January 2002 and DHCD staff reviewed the process for requesting Planning Grant funding while representatives of previously successful localities discussed their experiences.



A locality seeking Planning Grant assistance must submit an Interest Letter in accordance with format developed by DHCD. The Interest Letter will briefly describe the project area and its community development needs, discuss the locality's and the project area's readiness and capacity to proceed with a participatory planning process, and provide some justification for this funding source. DHCD will review this Interest Letter and provide the applicant locality with a written response outlining activities that must be accomplished before a Planning Grant investment and/or which invites the locality to submit a brief Planning Grant proposal in accordance with the Planning Grant Proposal Format. Awards of Planning Grant funding will be made following DHCD review of Planning Grant proposals.

## **Categories**

### ***Project Planning Grants***

Project Planning Grants of up to \$25,000 are available for needs analysis and prioritization, preliminary design, and strategy development activities in preparation for a future Community Improvement Grant proposal. DHCD reserves the option of awarding additional Planning Grant funding in excess of this limit for projects which are particularly innovative, challenging, or costly. Eligible activities include:

- Community assessments, needs analyses, and need prioritization
- Activation and organization of target area residents and stakeholders
- Surveys of residents, users, customers, and potential beneficiaries
- Obtaining easements and user agreements
- Development of cost estimates and Preliminary Engineering Reports (PERs)
- Completion of market studies

Project Planning Grant activities must be conducted with the maximum participation of residents, potential beneficiaries, stakeholders, and local leaders. This participation should be carried out in accordance with the Virginia Community Development Block Grant Citizen Participation Plan for Local Government Applicants. Planning Grant activities should be oriented towards products that relate directly to a future Community Improvement Grant project. These products should detail community development problems and present realistic solutions for treatment of these problems. All Project Planning Grant recipients must submit complete Community Improvement Grant proposals following completion of all planning activities unless otherwise negotiated with DHCD.

### ***Community Organizing Planning Grants***

Community Organizing Planning Grants of up to \$10,000 are available to activate and organize community residents to develop strategies for future social and physical improvements. Eligible activities include:

- Conducting assessments of community strengths, weaknesses, opportunities, and threats
- Establishing goals and objectives
- Developing work plans and implementation strategies

Citizen participation is the central purpose of these Planning Grants and should result in an organized, informed community that has reached consensus on a practical vision of the future and has the capacity and options available for future community improvement.

The sole product of these grants is a summary of planning efforts undertaken and results of this planning. All Community Organizing Planning Grant recipients must submit complete Project Planning Grant proposals or pursue project planning following completion of organizing activities unless otherwise negotiated with DHCD. A Community Improvement Grant proposal is not required following a Community Organizing Planning Grant.

Of the \$500,000 available for Planning Grants, no more than \$60,000 will be targeted for Community Organizing Planning Grants. This amount is only a maximum, not a reservation of funds.

### **Proposal Evaluation**

Planning Grant investment decisions will be based on the following:

***Clear indications of community development needs:*** Proposals must demonstrate some local knowledge of the scope and scale of the community development needs in the proposed project area and provide evidence that the needs are known among potential beneficiaries and local officials alike.

***Potential benefits:*** The identified needs must generally be eligible for future VCDBG investments. One test of eligibility is whether the need can be addressed under at least one of the three CDBG national objectives, particularly benefit to low- and moderate-income persons. Another test is whether the need can be addressed through one of the VCDBG funding options, including Competitive Grants, the Community Development Innovation Fund, and the Community Economic Improvement Fund. There must also be evidence of participation by potential beneficiaries in the Planning Grant process to the extent that needs and demand can be fully assessed.

***Adequate local readiness:*** Local officials and stakeholders alike must demonstrate they are committed to fully identifying and addressing local needs. Generally, a management team must exist which is comprised of stakeholders and local officials. This team must agree to meet regularly to actively address issues that arise during the planning process. The locality must show a willingness to remove any barriers to addressing the identified needs, particularly those which are controlled locally. Finally, the locality must also commit financial resources to fill gaps not covered by Planning Grant assistance.

***Adequate local capacity:*** The locality and management team must show they have the expertise, funding, and time to follow through with the planning process. If local expertise is lacking, the locality must procure professional assistance. If funding is lacking, the locality must identify other sources of funding. Time cannot be lacking.

***Need for Planning Grant funding:*** For localities that have already participated in the VCDBG program, Planning Grant assistance should be targeted for projects that are innovative and/or unlike anything the locality has undertaken before or for components of typical projects which the locality cannot undertake with its own resources. For localities that have not participated extensively in the VCDBG program, Planning Grant assistance can target a range of costs associated with obtaining community input and contracting for professional assistance. The locality must adequately state its case for Planning Grant funding in its proposal.

#### **Payment for Performance**

All Planning Grant projects will have a common action, which is a Facilitated Planning Strategy session. This session must include all key local stakeholders and appropriate staff from DHCD and other relevant organizations. This session will establish planning performance targets and decision points that will provide the basis for DHCD's issuance of a Planning Grant contract.

Contracts for Planning Grants will stipulate the criteria, date, and grant amount for successive performance targets. Successful completion of targets will trigger the release of grant funding and the obligation of additional funding for activities related to future performance targets. A negotiated amount of funding may be provided to localities for the initiation of planning activities, but this amount will be an element of the total amount of Planning Grant funding committed to a project. For most Planning Grants, the total amount committed to a single project will be negotiated with the locality and will depend upon the level of need, community capacity, and readiness. The total amount will not exceed the amounts listed in this Program Design or negotiated with DHCD.

#### **Technical Assistance**

Localities interested in Planning Grant assistance can contact DHCD at any time to discuss a particular project or find out more about the Planning Grant offering.

### **COMMUNITY IMPROVEMENT GRANTS**

Virginia's CDBG Community Improvement Grant (CIG) option is designed to aid those communities with the greatest community development needs in implementing projects that will most directly address these needs.

There are four options for Community Improvement Grant assistance: Competitive Grants, Community Development Innovation Fund Grants, Community Economic Improvement Fund Grants, and Urgent Need Open Submission Grants.

#### **COMPETITIVE GRANTS**

Competitive Grants are awarded following the Virginia Department of Housing and Community Development's (VDHCD) competitive review of the applicable proposals. The deadline for submission of Competitive Grant proposals to the VDHCD will be March 27, 2002. No proposals will be accepted under this option prior to March 13, 2002. Proposal

review will occur during April and May of 2002. Announcement of Competitive Grant offers is anticipated by June of 2002.

Of the estimated \$19,678,200 available in 2002 for Community Improvement Grants, approximately \$13,678,200 will be available for Competitive Grant projects.

There are five primary project types under the Competitive CIG option:

- Comprehensive Community Development
- Economic Development
- Housing
- Community Facility
- Community Service Facility

Localities with potential projects with features applicable to more than one of these project types should contact DHCD for technical assistance.

The policies applicable to these project types are detailed below.

### **Comprehensive Community Development**

These projects target the completion of a range of improvements to a neighborhood that respond directly to identified needs. These needs should be derived from a recent client-based needs assessment of the neighborhood or target area. This assessment should include analysis of a full range of need areas including housing, water, sewer, streets, drainage, sidewalks, solid waste/garbage, debris removal, street lighting, recreation, police protection, fire protection, and other neighborhood-specific items.

Eligible Comprehensive projects must target the completion of improvements to an appropriate level of significance in relation to needs identified through the assessment. All Comprehensive projects must target at least two significant activities. Furthermore, this significance must be demonstrated by category, such as housing, sewer, or water, rather than by component, such as owner-occupied housing rehabilitation or substantial reconstruction. Comprehensive eligibility provisions are as follows:

#### ***For projects with exactly two significant activities:***

- Eligible for up to \$1,000,000 in CDBG assistance
- Significant activities will be those which have a representation in the project budget no lower than 20% and no higher than 70% of the total project cost
- Activities with a budgetary representation of less than 20% can be included in the project and may be eligible for CDBG funding pursuant to typical eligibility factors and provided funding remains under the \$1,000,000 limit.

#### ***For projects with at least three significant activities:***

- Eligible for up to \$1,250,000 in CDBG assistance

- Significant activities will be those which have a representation in the project budget no lower than 10% and no higher than 60% of the total project cost
  - Activities with a budgetary representation of less than 10% can be included in the project and may be eligible for CDBG funding pursuant to typical eligibility factors and provided funding remains under the \$1,250,000 limit.

Street improvements will be eligible for VCDBG assistance where:

- Specific street sections are targeted for improvement through a client-based needs assessment;
- The targeted sections were not built to VDOT or community standards and are not part of a current public maintenance system;
- All higher priority community needs will be addressed using VCDBG or other funding; and,
- The applicant locality can provide documentation that no other funding is available to address these improvements.

All activities targeted for VCDBG assistance in Comprehensive projects must be designed in accordance with the appropriate policies established by the Program Design. Where justified and feasible, Comprehensive projects may include Economic Development and Community Services Facility activities. As described under **PROJECT ENHANCEMENTS** on page 36, additional VCDBG funding may be available for additional project activities.

### **Economic Development**

There are two primary purposes for VCDBG assistance to economic development activities:

- Create job and business opportunities for low- and moderate-income persons, particularly in the most economically-disadvantaged, VCDBG-eligible areas of the Commonwealth; and,
- Eliminate blighting conditions in deteriorated areas as a means of creating better environments for future economic activities.

VCDBG assistance is available for economic development activities under the following categories: **Job Creation and Retention, Entrepreneurship Development, Economic Environment Enhancement, and Development Readiness.**

Most economic development projects will focus on one activity category. Some projects may focus on two or more. Projects targeting one category, except for entrepreneurial assistance, are eligible for up to \$700,000 in VCDBG assistance. Projects targeting two or more categories, except for entrepreneurial assistance, are eligible for up to \$1,000,000. Entrepreneurial assistance activities are limited to \$100,000 whether alone or in combination with other activities. Projects must, as applicable, abide by the **Industry Commitment, Appropriate Determination, VCDBG Investment, LMI Benefit, Intrastate Piracy, and Ineligible Activities** policies outlined on pages 58-60 of the Community Economic Improvement Fund section.

DHCD reserves the right to adjust requests for VCDBG economic development assistance and the terms of this assistance to accommodate only appropriate improvements. These adjustments, if applicable, would be made following competitive evaluation of all Community Improvement Grant proposals.

### **Job Creation and Retention**

The ***Job Creation and Retention*** category under the Competitive Grants option targets projects with job creation resulting from commercial enterprises, sheltered workshops, or other non-basic industries, or projects with job retention by basic and non-basic industries. VCDBG assistance under ***Job Creation and Retention*** is available for on-site or off-site assistance to these enterprises. Applicants must prove a clear need for the off-site improvements and show justification for their scope and scale through Preliminary Engineering Reports and other analyses. Competitive Grant proposals with on-site improvements are subject to underwriting (as assistance would be in the form of a loan to the applicant locality) and must have completed an Appropriate Determination package and submitted it to DHCD by March 1, 2002. This package will be available from DHCD after January 1, 2002.

*The Community Economic Improvement Fund is a reservation of \$4,000,000 for projects involving assistance to basic industries that commit to private sector investment and job creation. The provisions of this Fund are detailed below on page 53 of this document. Projects targeting job creation by basic industries will only be eligible for funding under the Community Economic Improvement Fund.*

### **Entrepreneurship Development**

Up to \$100,000 of VCDBG funding will be available for entrepreneurship development activities in Economic Development projects. These activities may be the only activities in a project or may accompany other activities.

VCDBG assistance will be targeted for those projects that cover gaps in one or more of the following five elements:

#### **Access to Capital and Financial Assistance**

- Loan funding (such as offered in **microenterprise assistance programs**), equity funding, or working capital for business start-up or expansion; or,
- Development of peer lending pools, individual development accounts (particularly those targeting business creation), or other innovative business financing mechanisms.

#### **Technical and Managerial Assistance**

- Physical or operational assistance to a small business incubator which provides a broad array of entrepreneurial assistance services;
- Establishment of business mentoring programs;
- Market feasibility and business planning assistance; or,
- Other forms of business management assistance.

#### Technology Transfer

- Financing and technical assistance for research and development for specific types of businesses;
- Patent and licensing assistance;
- Development of firm working relationships between research entities and potential entrepreneurs which result in the creation of new businesses and/or jobs; or,
- Product development assistance resulting in the creation of new businesses and/or jobs.

#### Entrepreneurial Education and Training

- Entrepreneurial curriculum development at educational institutions of any level which includes mentoring and hands-on experiences as well as classroom training;
- Training and workforce development in declining or fledgling industries or businesses; or,
- Other entrepreneurial education and training efforts resulting in the creation of new businesses and/or jobs.

#### Entrepreneurial Networks

- Development of entrepreneurial assistance efforts targeting business creation or expansion in specific business sectors with tangible involvement of affected entrepreneurs;
- Enhancement of market clusters and supply chains in assistance to entrepreneurs within specific sectors;
- Development of peer-to-peer relationships among entrepreneurs in similar or compatible businesses or other business to business linkages; or,
- Other network development activities that lead to the creation of new businesses, expansion of existing businesses, and/or the creation of jobs.

VCDBG assistance will be targeted to those entrepreneurship development efforts that have a comprehensive focus. Applicants must:

- Show consideration of all facets of assistance to entrepreneurs;
- Demonstrate that VCDBG resources will be applied to those assistance efforts which currently do not exist or which are inadequate towards meeting the demand for such assistance

VCDBG assistance will not be provided to establish duplicate efforts to serve entrepreneurs or to create economies of scale among existing efforts unless they drastically increase entrepreneur service levels. Applicants must demonstrate that other options for funding specific entrepreneurship development efforts either do not exist or have been exhausted by the applicant prior to requesting VCDBG assistance. Entrepreneurship projects must also verify their outcomes in terms of specific numbers of business created, jobs created, and persons employed.

### **Economic Environment Enhancement**

These activities will improve the economic environment of a locality by enabling the removal of slums and blighting conditions threatening the health, safety, and welfare of the community as a whole and have an adverse impact on the value of real property that, in turn, adversely impacts community wealth. By addressing these blighting conditions, localities can eliminate hazardous conditions and halt disinvestment in the community.

There are two primary economic environment enhancement options under the VCDBG program: business district revitalization and site redevelopment.

#### **Business District Revitalization**

Under this option, an applicant may target the revitalization of a downtown or other commercial district. An applicant must clearly delineate the boundaries of the district and provide the rationale for its delineation. Physical considerations, such as the point where land uses transition from commercial to residential or where a river or railroad adjoin an area, and social considerations, such as public perceptions of boundaries may be used to delineate an area.

Applicants must identify all elements of physical and economic blight within the defined area:

#### *Physical Blight*

The deteriorated conditions or states of disrepair of district infrastructure, buildings, and other physical elements that detract from the overall appearance and identity of the district and, in turn, depress property values and inhibit efforts to market and attract investment.

#### *Economic blight*

The existence of vacant, disinvested, or underutilized buildings and parcels representing unrealized commercial potential and projecting a negative image harming efforts to attract new investment.

Applicants must address all blighting conditions using VCDBG funding and other resources. VCDBG funding targeted for real property acquisition and demolition or transformation must be linked to the designation of a Redevelopment or Conservation area under Virginia law. Building demolition should be programmed only as a last resort. The displacement of residents and businesses should be minimized.

All revitalization activities must include significant participation by district stakeholders, including property owners, business owners, local government officials, and concerned citizens. This participation should follow a modified Main Street approach to business district revitalization. The Department can provide additional information on this approach. The participation should, in part, lead to the development of a Revitalization Plan. VCDBG funding may target implementation of



other elements of a Revitalization Plan, including support for business district organization, for marketing efforts to secure private investments, and for minimal cosmetic improvements to non-blighted elements. Entrepreneurship development activities are eligible as an addition to Business District Revitalization projects as per the guidance on categories and limits in Economic Development projects.

#### **Site Redevelopment**

This option targets sites that previous uses have rendered unmarketable or unusable and that have conditions with an impact beyond the boundaries of the site. VCDBG assistance may be used to correct identified conditions, provided they are justified as blight.

Applicants must detail the conditions and demonstrate local consensus that the conditions, real or perceived, exist and that addressing these conditions is a local priority. Treatment of these conditions must increase the potential for investment on this site and surrounding this site.

Activities may include the modification or demolition of existing structures. Activities may be targeted to more than one site under a single project if it can be demonstrated that the accumulation of these sites has a single identity and/or each individual site has conditions that impact areas beyond its boundaries.

As with business district revitalization, site conditions and corrections for these conditions should be determined through stakeholder participation. Eligible activities beyond elimination of blighting conditions include real property acquisition and site marketing.

#### **Development Readiness**

This category permits the completion of improvements that will result in the future creation of businesses and job opportunities providing primary benefit to low- and moderate-income persons. The focus of this category is on removing barriers to economic investment, particularly in areas of distress. Such barriers include:

- The existence of previously used sites and structures for which reuse for economically beneficial activities is not cost effective compared to development or construction on a new site.
- The lack of building space to accommodate business location or expansion and the prohibitive cost of constructing or adaptively reusing space, especially for small businesses.

This category directly addresses these barriers by making resources available for site redevelopment and for commercial building development. Eligible activities include acquisition, site preparation, on-site and incidental off-site infrastructure, architectural and engineering costs, building rehabilitation or construction, and administration. These activities can be implemented only if the site and/or building is publicly-owned.

All VCDBG financing for these projects, except administrative costs, must be recovered upon the sale or long-term lease of the site or building to a private sector entity that will create the required jobs. Full recovery of the funds must occur within two years of the completion of construction activities for Competitive localities and within three years for Transitional and Distressed localities.

Failure to secure a private sector entity to purchase or lease the improvements within the required time period will require the locality to repay administrative *and* construction costs. Recovered funds will be regarded as Program Income and will be subject to the previously outlined Program Income policy.

The availability and amount of VCDBG funding will depend upon the number of projected new jobs. In Competitive localities, at least 50 full-time jobs must be created and VCDBG participation will, in combination with other public funds, be limited to \$10,000 per job. In Transitional localities, at least 20 full-time jobs must be created with VCDBG participation again limited to \$10,000 per job. In Distressed localities, at least 10 full-time jobs must be created and VCDBG participation will be limited to \$10,000 per job, except where the local economy is diversified wherein VCDBG participation will be limited to \$25,000 per job.

Only VCDBG-eligible localities may secure funding for development readiness activities. These localities may implement these activities directly using available funding or may lend these funds to a local or regional non-profit economic development entity that will implement the activities. Such an entity must have the capacity to borrow and administer Federal funds for economic development purposes.

In all such efforts, there must be direct links to an entity with the capability and willingness to administer a formal marketing program. A comprehensive marketing strategy for growing and/or attracting businesses and creating employment, primarily through basic industries, must accompany requests for VCDBG funding. The strategy must identify one or more sectors or industries target for marketing. The VCDBG assisted site or building should have a prominent position in the strategy. The strategy must be supported by an organization that is financially and technically capable of conducting the marketing program.

Applicants for development readiness assistance must demonstrate that public benefit will result from the VCDBG investment and that there is a clear relationship between the proposed site or building improvements and existing economic development strategies.

Only under the Development Readiness category are somewhat speculative physical improvements permitted since these improvements are treated as loans to the locality. Physical improvements under all other economic development categories must be consistent in scope and scale with the underlying needs.

## **Housing**

Housing activities are eligible for VCDBG assistance to improve the living conditions of low- and moderate-income (LMI) persons. VCDBG funding may be used to rehabilitate LMI-occupied housing units or support the development of new housing units to be occupied by LMI persons. There are two categories of assistance under the housing project type:

Housing Rehabilitation

Housing Production Assistance

### ***Housing Rehabilitation***

VCDBG assistance is provided to improve LMI-occupied housing units to DHCD Housing Quality Standards. Assistance is made available under Comprehensive Community Development projects, to units lacking indoor plumbing in Community Facilities projects, and as a single activity Housing project.

Housing projects targeting housing rehabilitation activities are eligible for up to \$1,000,000 in VCDBG assistance. Such projects must target housing rehabilitation needs within a single, well-defined project area. Because rehabilitation activities may not begin simultaneously on all eligible housing units in a project area, DHCD reserves the right to fund such projects under more than one performance-based contract and from more than one year's CDBG allocation. DHCD may cancel additional contracts due to non-performance on initial contracts.

Crucial non-housing activities or non-construction housing support activities that will clearly complement the housing improvements taking place in the project area and will meet a national objective may be included in a housing rehabilitation project. VCDBG participation in these activities shall not exceed 15 percent of the total amount requested. Up to 10 percent of the total housing rehabilitation activity budget may be used for Rehabilitation Specialist services such as inspections, specifications, and bidding.

Rehabilitation assistance is available for both owner-occupied and investor-owned properties. Owner-occupants must incur a monthly financial obligation following receipt of VCDBG rehabilitation assistance that is based on the monthly amortization of rehabilitation costs over a 10-year period at 0 percent interest (less the actual costs of lead-based paint abatement and accessibility improvements). Owner-occupant monthly payments must be determined by ability-to-pay calculations that take into consideration income, expenses, and other household considerations. The ability-to-pay calculation will determine the monthly amount the household could afford for repayment of the VCDBG rehabilitation assistance. The difference between the total monthly amortization amount and the amount paid by the homeowner must be forgiven. This forgiveness must occur on a monthly basis, not in a lump sum write-off.

Ability-to-pay calculations will be based on 25 percent of household income. If any ability-to-pay is demonstrated, the corresponding amount must be collected.

Ability-to-pay calculations must also be made for the tenant households of investor-owned properties. These calculations permit evaluation of rent affordability. Affordable rent is defined as a cost of occupancy that, including tenant-paid utilities, does not exceed 35 percent of total household income. If a project includes assistance from other programs that require a more stringent definition of rent affordability, this more stringent standard must be applied.

Investor-owner participation in rehabilitation must include execution of a legally-recorded commitment to provide the improved housing units to LMI households for no less than 10 years at affordable rents. Investor-owner financial participation to offset the cost of improvements can reduce the number of years of required LMI benefit at a rate of one year per 10 percent of owner funding provided, up to a maximum of five years and 50 percent. Rent levels shall not be increased between the Community Improvement Grant submission date and the date of announcement of CIG awards. Investor-owners may not increase rents beyond actual direct cost increases, such as taxes and insurance, for at least five years, or for the term of the loan, if longer. The rent amount must be clearly established in the rehabilitation contract and shall remain at the same level for all subsequent tenants for the balance of loan term.

No vacant unit shall be rehabilitated with VCDBG funding unless the house was rented for at least six months of the preceding year, the unit was purchased by an LMI household, or the unit is owned by a locality, housing authority, or non-profit and will be sold to or lease-purchased by an LMI household.

Applicants may use up to \$25,000 of VCDBG funding to rehabilitate eligible housing units, not including manufactured homes, to DHCD Housing Quality Standards and up to \$33,000 to substantially reconstruct housing units determined to be unsuitable for rehabilitation. Manufactured home rehabilitation is limited to \$10,000. In addition to these base costs, applicants may use up to \$1,000 per household for temporary relocation costs *AND*, with DHCD approval, further exceed these base limits by up to \$20,000 for the following exceptions:

- Installation of a well and/or septic systems or water and/or sewer connections;
- Provision of ramps and other accessibility features;
- Provision of one or more additional bedrooms to relieve an overcrowded situation in which more than two bedrooms are necessary or other changes to a unit's footprint;
- Actual laboratory costs for evaluation of lead dust tests; and,
- Construction of a bathroom

Cost for demolition required for substantial reconstruction activities, are eligible as a separate cost and need not be considered under the base or exception cost limits.

### ***Housing Production Assistance***

VCDBG assistance is available to support the development of new single- and multi-family housing units targeted for low- and moderate-income persons. VCDBG funding is applicable

to most project costs, including final design and construction costs, in projects that will adaptively reuse existing structures for housing. These projects are eligible for up to \$700,000 in VCDBG assistance.

In new construction projects, VCDBG assistance is limited to the design and construction of site improvements. Funding for new construction must generally be obtained from local or other resources. CDBG funding cannot be used for the construction of new housing, except as provided under the last resort housing provisions of 24 CFR Part 42 or as authorized under Section 17 of the United States Housing Act of 1974. CDBG funding may be used for new housing construction costs where a neighborhood-based non-profit has primary responsibility for the development of the new housing.

All housing production projects must demonstrate a clear local need for additional housing, provide evidence of significant local demand for the additional units, and target the development of units of a quality and quantity that will meet local needs and demands. Project evaluation will reward those projects resulting in the greatest number of quality units at the lowest cost per unit.

Projects involving housing rehabilitation and/or housing production assistance may secure additional funding for additional needed project activities as described in **Project Enhancements** on page 36.

### **Community Facilities**

Community facilities include water services, wastewater services, drainage improvements, and street improvements. VCDBG assistance under this option is generally targeted to projects involving water and wastewater improvements, particularly those involving new services to low- and moderate-income persons. Community Facility projects are eligible for up to \$1,000,000 of VCDBG funding.

An applicant undertaking a water and sewer project is required to address the indoor plumbing needs of project area residents. Benefit to a particular household will not be accepted unless the unit currently has or will be provided with indoor plumbing facilities. Housing units receiving indoor plumbing facilities must also meet DHCD Housing Quality Standards. VCDBG funding may be used to improve these units to standard condition. VCDBG participation in indoor plumbing or related housing activities shall not exceed 15 percent of the total amount requested.

Applicants that include water and/or sewer service activities in the project design, regardless of the project type, must make such services accessible to any LMI household residing on property adjacent to or near project activities, provided that the estimated cost of completing the physical connection to the housing unit is less than or equal to \$2,500.

Low- and moderate-income persons cannot be charged an access fee for facilities developed using CDBG funding. These fees are not CDBG-eligible expenses. The actual physical costs of connections will be eligible for VCDBG funding. To the extent feasible, public water

service proposals must include a project design accommodating appropriate fire protection measures in the project area.

The reasonableness of user charges will be considered in evaluating any revenue-producing project, particularly water and sewer projects. Where local debt capacity exists for a water, sewer, or other project, DHCD may require local financial participation, but not beyond the point at which an increase in user fees would make the proposed services unaffordable to LMI households. Each housing unit connected to a VCDBG-assisted community facility project must have its own meter to support accurate billing.

Project needs in community facility projects will best be determined through surveys of project area residents and through gathering of documentation from regulatory and other agencies. The demand for services must be established through obtaining signed user agreements from the proposed beneficiaries or documenting a local mandatory hook-up policy and its history of enforcement. Prior to submitting a proposal, a locality should obtain user agreements from at least 90 percent of the proposed low- and moderate-income beneficiaries.

Project activities are established through the completion of a full Preliminary Engineering Report (PER). At least two copies of the PER must accompany each community facility proposal. If Virginia Department of Health (VDH) approval is required for a project's plans and specifications, the project PER must be submitted to VDH before submitting the proposal to DHCD.

In projects involving the provision of water, sewer, or other community facility services to privately-owned, multi-tenant properties as a contributing factor towards meeting the required LMI benefit, VCDBG assistance will be eligible for expenditure on those features of the project which provide substantial benefit to current LMI tenants. DHCD will safeguard the provision of benefits to current LMI tenants as follows:

***VCDBG funding will be provided to match current LMI needs.***

Property owners will be prohibited from creating additional tenant spaces that would dilute a project's LMI benefit. Assistance may be prorated to oversized service or distribution lines. Participation in pump stations, storage tanks, or other features will also depend on the level of LMI benefit in the project.

***Savings produced by the VCDBG investment must translate to direct LMI benefit.***

Generally, each LMI unit receiving services must be individually metered with billing being a responsibility of a local public agency. No private property owners may charge LMI tenants a connection fee or a surcharge on service usage.

### **Community Service Facilities**

VCDBG assistance is available up to \$700,000 for Community Service Facilities that are physical facilities providing important services to low- and moderate-income persons and the greater community. Such facilities include day care facilities, facilities for protected populations such as the elderly and disabled, community centers, health clinics, libraries, schools, hospitals, and skill-building facilities for youth and the unemployed.

Community Service Facility proposals must demonstrate that facility development is a clear local community development priority. Applicants must describe other community development priorities and their positions relative to the proposed community service facility.

Applicants for Community Service Facility projects must clearly demonstrate the local need for the services to be provided. The most reliable information on these needs will result from surveys of potential users and existing service providers. Census information and other statistical information, although useful, provide less reliable justification for the need for a facility. The user surveys should, at a minimum, confirm potential user LMI status, and the need for and interest in the services proposed for the facility. To confirm the need for many types of services, surveys of individual potential users are a better indicator of need than surveys of households. Surveys of existing service providers will permit, at a minimum, the identification of gaps between service needs and service availability.

Applicants must also provide documentation of the demand for services. For some types of services, strong preferences obtained through surveying may suffice. For other services, demand may best be represented by the actions of individuals, beyond survey participation, to receive a service, such as the completion of an application or other intake documentation.

Following the determination of need and demand, applicants must target the development of a facility to accommodate the new or expanded services. For facilities that will clearly provide needed services to low- and moderate-income persons, applicants may seek to maximize VCDBG participation in the development of the facility. For facilities that will provide a variety of services to LMI and non-LMI persons, VCDBG participation should be sought in proportion to the level of services being targeted primarily towards LMI persons.

The evaluation of Community Service Facility projects will also include an assessment of the directness of the benefits to be provided to LMI persons. This assessment will be guided by the following questions:

- *Will the services be available exclusively to LMI persons or predominantly to LMI persons?*
- *Will the services provide palpable, measurable changes in the lives of the participants?*
- *Will the services have any impact on LMI persons becoming non-LMI persons?*

### **Proposal Evaluation Criteria**

Requests for VCDBG Community Improvement Grant assistance greatly exceed the amount of available funding. Therefore, funding distribution is determined through the competitive evaluation of all proposals received on the basis of the following criteria:

#### *Composite Fiscal Stress*

The relative fiscal stress of the local governments submitting proposals is derived from the most recent Composite Fiscal Stress Index Scores table generated by the Virginia Commission on Local Government.

#### *Regional Priorities*

The proposal's relationship to the project priorities annually established by each Planning District Commission.

#### *Project Needs and Outcomes*

This item considers the needs the proposed project will address, evaluates the relationship of project activities to underlying needs, and assesses the likelihood these activities will both meet these needs and have a measurable long-term impact on the community.

#### *Costs and Commitment*

This item considers whether project costs are reasonable and supportable and the level of financial participation in project activities offered by local and other non-CDBG resources.

#### *Meeting a National Objective*

This item considers the extent to which a project will benefit low- and moderate-income persons or result in the elimination of slums and blighting conditions.

DHCD reserves the right to modify the evaluation criteria.

### **COMMUNITY DEVELOPMENT INNOVATION FUND GRANTS**

The Community Development Innovation Fund provides resources totaling \$2,000,000 for implementation of new, innovative, and/or timely community development projects. This Fund has three components: the Local Innovation Program, the Self-Help Virginia Program, and the Community Development Venture Capital Fund.

#### **Local Innovation Program**

VCDBG funding totaling \$500,000 will be reserved for innovative, small-scale pilot projects that will include only CDBG-eligible activities, meet a CDBG national objective, and be designed in accordance with the CDBG Citizen Participation Plan. Individual Development Account programs and projects supporting local or regional welfare-to-work initiatives are both options for Local Innovation funding.



Up to \$100,000 is available per project. Proposals meeting minimum thresholds will be accepted on an open basis from January 1, 2002 through August 1, 2002. If Local Innovation funding remains unobligated as of August 1, 2002, this funding will be made available to those Self-Help Virginia projects with funding requirements beyond the \$1,000,000 reservation.

### **Self-Help Virginia**

Self-Help Virginia provides funding to support infrastructure projects, specifically water and sewer projects, wherein community residents and stakeholders substantially participate in the construction activities. VCDBG funding totaling \$1,000,000 will be reserved for Self-Help projects in 2002. Funding will be available on an open basis between January 1, 2002 and October 31, 2002. VCDBG participation is limited to \$10,000 per household served.

To be eligible for participation in Self-Help Virginia, projects must possess the following characteristics:

- There must be a neighborhood or community consensus about the existence of the problem to be addressed;
- There must be a demonstration of community capacity to manage the self-help project with sufficient energy and vision to see the project through to completion; and,
- There must be at least a 40 percent savings from the proposed Self-Help construction compared to conventional construction.

The goal of these projects is to tap neighborhood talent, manpower, and creativity and provide water and sewer services in areas where conventional construction costs are cost-prohibitive. The most common examples of specific self-help activities are neighborhood residents acting as project managers, installing water and sewer lines, and operating leased or donated equipment. Resident contributions depend on resident abilities. Construction must meet all applicable codes and regulations.

These projects are exempt from the Preliminary Engineering Report standards of other projects. These projects do require a cost estimate demonstrating the required 40 percent savings, a clear description of the proposed improvements, and a map of the service area with the proposed layout of lines and other improvements.

All proposals must include evidence that at least one well-attended community meeting has occurred and that the project is supported by the community, that at least 51 percent of the proposed beneficiaries are low- and moderate-income per survey results, and that residents are willing to work on the project and have some sense of the skills available in the community. Also required are signed user agreements that show residents' willingness to connect to water and/or sewer lines as part of the project.

### **Community Development Venture Capital Fund**

A total of \$500,000 is reserved for capital investments by DHCD-certified community development venture capital funds in eligible VCDBG localities. Community development venture capital funds make investments to gain financial return and to create wealth and job opportunities in communities with economic needs. Fund operators must demonstrate sufficient administrative capacity for making and managing critical long-term equity investments in private businesses in eligible localities. Operators must also demonstrate the availability of adequate financial resources to cover the administrative costs associated with fund management and to make strategic equity investments in other business opportunities for which VCDBG funding may not be targeted. Operators should further demonstrate that the sources of funding for these other equity investments were largely non-governmental.

VCDBG funding will be made available on a negotiated basis between January 1, 2002 and October 31, 2002. The terms of the VCDBG assistance will be addressed as part of these negotiations. Fund operators should contact DHCD directly to discuss the availability of VCDBG funding. VCDBG funding for community development venture fund program operation costs is available under the Entrepreneurship Development in the VCDBG Competitive Grant option, but is not eligible under this Community Development Venture Capital option.

Funding awards under the Community Development Venture Capital option will generally be limited to \$100,000 per business equity investment. An eligible VCDBG locality must request this funding on behalf of a community development venture capital fund. Generally, this locality will be the one in which the business receiving the investment will be located.

The targeted business must commit to create jobs in order for the investment to be eligible for VCDBG funding. At least 51 percent of the jobs created must be made available to or held by low- and moderate-income persons.

After October 31, 2002 previously uncommitted funding may be committed to projects with Letters of Intent or awarded to the next highest-ranking Competitive Grant projects.

### **COMMUNITY ECONOMIC IMPROVEMENT FUND GRANTS**

The Community Economic Improvement Fund (CEI) supports economic development activities, particularly those creating employment opportunities for low- and moderate-income persons, in VCDBG-eligible localities. In 2002, \$4,000,000 will be available under the CEI Fund. Up to \$700,000 will be available per project. **Projects assisting businesses that cannot commit to providing a post-probationary wage of at least 1.5 times the minimum wage to all employees may be eligible for VCDBG funding limited to 50 percent of project costs up to \$350,000.** Proposals will be received on an open basis from January 1, 2002 through October 31, 2002. Assistance is limited to projects involving the creation of employment by private, for-profit basic industries. Assistance may include off-site improvements such as water lines, sewer lines, roads, and drainage. On-site assistance may

be eligible in some projects, but these projects are subject to underwriting and the VCDBG assistance will be made available as a loan to the locality. This loan must be repaid.

### **Categories and Thresholds**

The nature of the financial assistance available under the CEI Fund varies depending on the economic strength of the applicant localities. VCDBG-eligible localities, excluding Towns, are placed in one of three categories: Distressed, Transitional, and Competitive. Towns that are fully contained within a county are in the same category as the surrounding county. Towns divided among two or more counties are in the same category as the county with the least economic strength. Localities were placed in a category based on the relative position of local statistics to statewide statistics for each of three economic factors. The factor titles, sources of factor data, and delineations within each factor are as follows:

#### ***Persons in Poverty***

(County Estimates for People of All Ages in Poverty for Virginia: 1997; U.S. Census Bureau)

Distressed: 150% or greater than statewide figure (or 17.40% or higher)

Transitional: Greater than or equal to statewide figure of 11.60%

Competitive: Less than statewide figure of 11.60%

#### ***Median Adjusted Gross Income per Married Return***

(Married Returns, 1999; Virginia Department of Taxation)

Distressed: 70% or less of statewide figure (or \$37,622 or less)

Transitional: Less than or equal to statewide figure of \$53,745

Competitive: Greater than statewide figure of \$53,745

#### ***Annualized Average Unemployment Rates***

(Annualized Average Unemployment Rates for Virginia Localities, 2000; Virginia Employment Commission)

Distressed: 150% or greater than statewide figure (or 3.3% or higher)

Transitional: Greater than or equal to statewide figure of 2.2%

Competitive: Less than statewide figure of 2.2%

Localities received two points for each factor in which they met Distressed levels, one point for each factor at Transitional levels, and no points for each factor at Competitive levels. Localities with 5 or more points are Distressed. Localities with 2 to 4 points are Transitional. Localities with 1 point or less are Competitive.

### **Distressed**

For FY 2002, the Distressed localities with scores of 5 or more points from the evaluation of economic factors, include.

#### ***Localities***

Accomack County  
Brunswick County  
Buchanan County

Prince Edward County  
Richmond County  
Russell County

Buckingham County  
Carroll County  
Charlotte County  
Dickenson County  
Floyd County  
Grayson County  
Halifax County  
Henry County  
Lee County  
Lunenburg County  
Mecklenburg County  
Northampton County  
Nottoway County  
Patrick County

Scott County  
Smyth County  
Sussex County  
Tazewell County  
Washington County  
Westmoreland County  
Wise County  
Wythe County  
City of Covington  
City of Emporia  
City of Franklin  
City of Galax  
City of Norton  
City of Williamsburg

### ***Thresholds***

The thresholds for VCDBG assistance in Distressed localities are as follows:

- The subject business must create at least 10 full-time positions
- The subject business must make a private investment of at least \$100,000
- The subject business must provide a post-probationary wage of at least 1.5 times the minimum wage for all employees and offer an employment benefits package including medical insurance to all employees

### ***Assistance for Local Economic Diversification***

If the assisted business is involved in the value-added manufacturing or remanufacturing and reuse of indigenous raw materials, the provision of needed local services, and/or the diversification of the local economy, the following conditions apply:

VCDBG assistance for off-site improvements is eligible for up to 100 percent of total project costs.

No local government financial participation is required in the project.

VCDBG loans for on-site improvements are available through a relaxed underwriting process and flexible terms.

VCDBG assistance is available at up to \$25,000 per job to be created.

### ***Assistance for Other Businesses***

If the assisted business will not be diversifying the local economy, the following conditions apply:

VCDBG assistance for off-site improvements is eligible for no more than 80 percent of the total project costs.

Local financial participation must total at least 20 percent of the VCDBG eligible costs.

VCDBG loans for on-site improvements are available through a relaxed underwriting process.

VCDBG assistance is available at up to \$10,000 per job to be created.

### **Transitional**

Transitional localities are those with scores of 2 to 4 points from the evaluation of economic factors.

#### ***Localities***

Alleghany County  
Amelia County  
Amherst County  
Appomattox County  
Bath County  
Bland County  
Campbell County  
Caroline County  
Charles City County  
Craig County  
Culpeper County  
Cumberland County  
Dinwiddie County  
Essex County  
Franklin County  
Giles County  
Greensville County  
Highland County  
Isle of Wight County  
King and Queen County  
Lancaster County  
Louisa County

Madison County  
Middlesex County  
Montgomery County  
Nelson County  
Northumberland County  
Orange County  
Page County  
Pittsylvania County  
Pulaski County  
Rockbridge County  
Southampton County  
Surry County  
City of Bedford  
City of Buena Vista  
City of Harrisonburg  
City of Lexington  
City of Martinsville  
City of Radford  
City of Staunton  
City of Waynesboro  
City of Winchester

#### ***Thresholds***

The thresholds for VCDBG assistance in Transitional localities are as follows:

- The subject business must create at least 20 full-time positions
- The subject business must make a private investment of at least \$300,000
- The subject business must provide a post-probationary wage of at least 1.5 times the minimum wage for all employees and offer an employment benefits package including medical insurance to all employees

### ***Assistance Parameters***

For all businesses, the following conditions apply:

VCDBG assistance for off-site improvements is eligible for no more than 80 percent of the total project costs.

Local financial participation must total at least 20 percent of the VCDBG eligible costs.

VCDBG assistance is available at up to \$10,000 per job to be created.

If the assisted business meets the criteria cited under the **Distressed** section regarding diversification of the local economy, VCDBG loans for on-site improvements are available through a relaxed underwriting process.

If the assisted business does not meet these criteria, VCDBG loans for on-site improvements are available through a market underwriting process.

### **Competitive**

Competitive localities are those with scores of 1 or fewer points from the evaluation of economic factors.

### ***Localities***

Albemarle County	Loudoun County
Augusta County	Mathews County
Bedford County	New Kent County
Botetourt County	Powhatan County
Clarke County	Prince George County
Fauquier County	Rappahannock County
Fluvanna County	Roanoke County
Frederick County	Rockingham County
Gloucester County	Shenandoah County
Goochland County	Spotsylvania County
Greene County	Stafford County
Hanover County	Warren County
James City County	York County
King George County	City of Poquoson
King William County	City of Salem

### ***Thresholds***

The thresholds for VCDBG assistance in Competitive localities are as follows:

- The subject business must create at least 50 full-time positions
- The subject business must make a private investment of at least \$3,000,000

- The subject business must provide a post-probationary wage of at least 1.5 times the minimum wage for all employees and offer an employment benefits package including medical insurance to all employees

### ***Assistance Parameters***

For all businesses, the following conditions apply:

VCDBG assistance for off-site improvements is eligible for no more than 50 percent of the total project costs.

Local financial participation must total at least 50 percent of the VCDBG eligible costs.

Non-local public funding investment must be no more \$10,000 per job to be created. Loans to local governments from other public sources with specific repayment requirements are regarded as local funds.

No VCDBG assistance is available for on-site improvements.

### **Industry Commitment**

All CEI proposals must include an industry commitment letter. Such a letter serves as documentation of the industrial commitment that provides the basis for project eligibility. A commitment letter must include the following:

- The need for the improvements which the locality will implement using VCDBG funding;
- The commitment of the business to locating or expanding in the locality;
- The type and amount of the private investments;
- The number of jobs (LMI and total) of jobs to be created or retained by category;
- The timing of the investments and hiring;
- A summary of the wages and benefits to be provided;
- The plans for job training, if applicable; and,
- The plans for use of a single point of contact for screening applicants, if applicable, such as the Virginia Employment Commission;
- The comprehension and acceptance that a formal agreement must be signed to secure the commitments.
- For Community Economic Improvement Fund projects, these industry commitments must provide details on the accompanying benefits package.

Where appropriate, the industry should attach documentation to its letter supporting the figures detailed in the letter.

### **Appropriate Determination**

On-site improvements are subject to underwriting because VCDBG funds, which are public funds, must not be used to replace any form of financing that either could be or already has been secured at terms and conditions that make the project feasible. The underwriting is to

determine if the use of VCDBG funds in a project is appropriate for the anticipated level of public benefits and includes a financial analysis of the business. An Appropriate Determination package is available from DHCD that outlines the type of information required from the business to complete underwriting. Applicants must prepare a response to this package and submit it to DHCD approximately one month before completion of a CEI proposal.

#### **VCDBG Investment**

VCDBG funding will only pay for improvements of a scope and scale consistent with identified needs. Improvements benefiting future development are not eligible for VCDBG funding.

#### **Sanctions**

The Industry Agreement which will be executed between an assisted business and a locality will detail sanctions which will be imposed if the assisted business fails to achieve hiring, investment, or wage/benefit commitments. Failure to achieve hiring and investment commitments may result in all VCDBG funding being recaptured by DHCD from the locality. Failure to achieve wage/benefit commitments may result in VCDBG participation being limited to 50 percent of project costs up to \$350,000.

#### **LMI Benefit**

VCDBG eligibility in economic development projects is established by creating job opportunities for low- and moderate-income persons. There are two options for ensuring LMI benefit results from the job creation process. The first is to employ LMI persons in at least 51 percent of the available positions. Under this option, the locality or assisted business will retain documentation of the income status of employees. The second option is to establish procedures ensuring that LMI persons will receive first consideration for employment. Under this option, the job qualifications must be limited to possession of a high school diploma or its equivalent. No special training should be required. A third party single point of contact for application screening, such as the Virginia Employment Commission, is typically utilized. This contact will maintain all LMI documentation. The employer must hire only those persons screened by this third party.

Job creation must occur within three years of the completion of VCDBG-funded improvements. The job creation requirement will be incorporated into a formal agreement. A business failing to meet the job requirements will be subject to a non-performance penalty as outlined in this agreement.

#### **Piracy**

VCDBG assistance will not assist a Virginia firm to relocate from one locality to another locality unless the firm provides substantial evidence that it cannot continue to do business in the existing location due to inadequate facilities, that it is significantly expanding beyond the capabilities of the existing location, that the move to another location results in a net gain of permanent jobs for Virginia, and that the impacted local governments are aware of the need for relocation. VCDBG assistance will not assist a non-Virginia firm in relocating to Virginia



if the relocation is likely to result in a significant loss of employment in the labor market from which the relocation occurs.

### **Ineligible Activities**

The following activities are not eligible for VCDBG assistance:

- General promotion of the community as a whole;
- Assistance to professional sports teams;
- Assistance to privately-owned recreational facilities that serve a predominantly higher income clientele where the benefit to such clientele clearly outweighs employment or other benefits to low- and moderate-income persons;
- Acquisition of land for which no specific purpose has yet been identified;
- Additional assistance to a for-profit business while the business is the subject of unresolved findings of non-compliance from previous CDBG assistance;
- Assistance to facilitate the creation of gambling operations; and,
- Projects in which the cost to provide goods and services to LMI persons exceeds \$1,000 per LMI person.

### **On-Site Assistance**

VCDBG funding is available for certain on-site improvements in support of a business creating jobs and completing private investment in an eligible locality. A locality seeking VCDBG funding for on-site assistance must coordinate the completion of an Appropriate Determination package. To complete this package, a locality must obtain detailed information on the background, financial position, and local development plans of the business to be assisted. This package is submitted by DHCD to independent underwriters for review.

VCDBG on-site assistance is offered to localities in the form of a loan. The independent underwriters establish the loan terms. A locality receiving VCDBG funding for on-site improvements must repay DHCD in accordance with the established terms. There are no circumstances under which DHCD will waive this repayment. The locality is responsible, in turn, to make the VCDBG assistance available as a loan to the assisted business and to make arrangements with the assisted business to make regular payments.

VCDBG funding cannot be used to develop infrastructure in a privately-owned industrial park.

### **Loan Guarantees**

Localities interested in loan guarantees in support of economic development should contact DHCD for additional information.

### **URGENT NEED OPEN SUBMISSION GRANTS**

VCDBG funding is available to eligible localities on an open submission basis to enable prompt response to existing serious and immediate threats to local health and safety. Up to \$700,000 of VCDBG funding is available per project. Urgent Need Open Submission (UNOS) proposals will be accepted between January 1, 2002 and October 31, 2002.

All UNOS proposals and activities must meet the following thresholds:

- The proposed project must alleviate existing conditions which pose a serious and immediate threat to the health and welfare of the community; and,
- The conditions developed or became urgent within 18 months of the date the proposal is submitted; and,
- The applicant locality is unable to finance the project on its own, no other funding is available to address the problem, and the VCDBG funding will be directly targeted towards alleviation of the threatening conditions; and,
- The threat must be supported by either:

A current declaration by the Governor of Virginia of an emergency relating to a flood, a hurricane, a tornado, an earthquake, or other disaster event, not including droughts, snow, or ice conditions,

*OR*

A current declaration by the State Commissioner of Health of an immediate and severe health threat relating to the complete failure of a public water or sewer system or an incident of similar significance.

VCDBG assistance will generally not be made available to projects consisting only of activities in support of long-term recovery. VCDBG assistance will generally not be available to projects with public facility failures resulting from neglected maintenance by a locality.

Localities interested in UNOS assistance should contact DHCD to discuss project eligibility.

## **H. PROGRAM MONITORING**

The Department provides compliance monitoring through the Divisions responsible for administration of each program covered by the current Action Plan. The Consolidated Plan provided a general description of the monitoring tools and systems available during the life of the Plan. Although the Department has experienced personnel and organization changes since the preparation of the Plan, the basic compliance monitoring methods and procedures that will be used during the coming program year have not changed.

### **CDBG**

The Project Management Office of the Community Development Division will continue to carry out the primary monitoring and compliance assurance activities for CDBG. It relies on several management tools, technical assistance, reporting, and compliance reviews to assure that the program's regulatory requirements will be met.

The Community Improvement Grant Management Manual gives grantees the necessary procedures, verbatim texts of required documents, and examples illustrating proper implementing actions. DHCD will continue to provide many training workshops across the Commonwealth to supplement the Manual. By increasing grantees' knowledge and skills of project management, construction management, labor standards, fair housing, financial management, and housing rehabilitation, the Department expects to reduce errors and increase the prospects for the successful completion of projects. Various personnel within the Office have designated roles relating to compliance. The broadest responsibilities lie with the Associate Director and the Program Managers. Community representatives serve as first line contacts with grantees—providing direct technical assistance as needed and also project monitoring. Finally, the financial analyst assigned to the program assures fund accountability while providing technical assistance for financial management, audit control, and management.

Site visits and in-house consultations are the primary means to be used to provide technical assistance. Site visits emphasizing informal assistance and guidance continue throughout the life of the project. Their timing and frequency generally reflect the progress and specific needs of the individual project. Grantees may receive additional assistance from staff in the Richmond and Abingdon offices at any time, though questions or concerns about an individual grant are normally referred initially to the community representative.

Progress reports and close out reports will be used to document the progress and completion of individual projects. Periodic status reports and annual budget reports for each project insure that DHCD and the grantee are fully aware of their current fiscal and programmatic status. Close out reports, which include separate elements for finance, program income, project leveraging, construction, and final evaluations, document project closure.

Project compliance reviews typically occur when a project is approximately 85 percent drawn down, with the final financial compliance review being conducted by the Department's

financial analyst. The financial compliance review resembles an audit in the scope of its coverage. Compliance reviews are formal as opposed to informal events and encompass the full range of requirements (e.g., citizen participation, environmental compliance, financial management, et al.) for which grantees may be responsible according to program requirements.

DHCD will document nonconformities, if any, in specific program areas, note concerns about areas that could be considered for a finding of nonconformity if left uncorrected, and provide recommendations about areas where program management could be improved. The agency's goal is to minimize findings of nonconformity during the year by relying on the other compliance methods discussed above to identify and correct problems before a finding is necessary.

#### Housing Programs (ESG, HOME, HOPWA)

The Division of Housing will continue to administer the HOME, HOPWA, and ESG programs for this fiscal year. Similar techniques will be applied to performance monitoring and compliance review for each program. Overall, the Division employs ongoing program and project reviews and technical assistance to assure both the effectiveness and compliance of its housing programs. The Division has also increased the use of risk assessments to identify those program areas or projects where problems are most likely to be encountered. If necessary, available monitoring and compliance resources can be concentrated on projects or programs that exhibit greater potential for falling out of compliance. Because some multifamily rental and first-time homeowner programs require compliance over an extended period, DHCD has entered into formal arrangements with the Virginia Housing Development Authority (VHDA), the manager for loans in these program areas, to assure that they monitor longer term compliance.

Most project review is conducted on a day-to-day basis through communications with project sponsors and subrecipients. This establishes the primary means for providing the technical assistance necessary to assure compliance. Monitoring visits will be conducted for the three programs being administered by the Division of Housing. The specific areas subject to review during a visit include administrative requirements relating to budgeting, the management plan, reporting, record keeping, etc., and programmatic requirements relating to the actual management of the project. The latter includes a review of contract documents, management responsibilities/structure of the responsible agent, and the records or reports for housing standards, environmental standards, construction reports, certificates of occupancy, and project close out documentation.

In the case of the Single Family Regional Loan Fund, DHCD monitors the activities of all sub-recipients of HOME funds. On-site monitoring may include a review of project files, administrative requirements, and fair housing and equal opportunity compliance. For those sub-recipients receiving HOME funds disbursed by DHCD and/or received program income from the HOME program activities, periodic financial reviews may also be conducted. DHCD will provide a minimum of 21 days notice prior to any on-site monitoring. The

Regional Administrator or local partner must develop procedures and documents necessary for compliance. The major concerns are initial eligibility and property use compliance during the term of affordability.

The responsible administrator for the Division will contact the sponsor, subrecipient, or grantee before the visit to establish the time, place, and circumstance of the visit. During the review, the administrator may provide assistance or advice relating to administrative or programmatic requirements. An exit interview will provide the local sponsor or grantee with a preliminary assessment.

More detailed information will be provided in a subsequent written communication. The letter may document *concerns* or *findings*. For concerns, the administrator will include recommendations for overcoming the particular circumstances. However, if there is a finding, the administrator will provide required corrective actions, following up through either a review of documentation or a site visit.

These site visits create opportunities to extend the Division's training activities to the sites of specific projects, while also assuring the overall integrity of the program through compliance review.

#### Strategic Planning

DHCD's ongoing strategic planning activities also provide a means for assuring that Department remains focused on the priorities identified in the Consolidated Plan as it develops its annual budget and legislative packages. The current process, which built on previous efforts, assures that all the Department's priorities are addressed and that opportunities for collaboration across organizational lines are identified. Work plans for the offices within DHCD's Divisions provide the basis for carrying out activities essential to meeting these goals and objectives.